

# MOGALAKWENA

## *MUNICIPALITY*

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# 2016/17

***ANNUAL FINANCIAL STATEMENTS***

***for the year ended***

***30 June 2017***

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

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**MOGALAKWENA MUNICIPALITY**  
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**GENERAL INFORMATION**

**MAYOR**

R.A. Matsemela (Ms)

**SPEAKER**

H.S. Mathebula

**CHIEF WHIP**

M.M. Rapatsa

**MEMBERS OF THE EXECUTIVE COMMITTEE**

Mayor

Councillors:	K.Q. Dekker	L.D. Langa
	M.S. Lelaka	M.R. Maepa
	S.R. Masipa (Ms)	M.F. Mokwele
	P.L. Oliphant (Ms)	M.M. Senoamadi (Ms)
	M.S. Tlhaku	

**PORTFOLIO CHAIRPERSONS**

Community Services	L.D. Langa
Corporate Support Services	M.S. Tlhaku
Electrical Services	M.F. Mokwele
Finance	S.R. Masipa (Ms)
Municipal Public Accounts Committee	V.H. Kekana
Planning & Developmental Services	P.L. Oliphant (Ms)
Special Projects	K.Q. Dekker
Technical Services	M.M. Senoamadi (Ms)
Traffic and Emergency Services	M.R. Maepa

**GRADING OF THE LOCAL AUTHORITY**

Grade 6

**AUDITORS**

External:	Auditor General	Internal:	Own Staff
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**PRIMARY BANKER**

Standard Bank Limited

**MOGALAKWENA MUNICIPALITY**  
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**GENERAL INFORMATION (continued)**

**REGISTERED OFFICE**

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0601

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E-Mail: mashelea@mogalakwena.gov.za

**MUNICIPAL MANAGER (Acting)**

A.V.K.. Mashele (015) 491-9604

mashelea @mogalakwena.gov.za

**CHIEF FINANCIAL OFFICER (Acting)**

S. Mulenga (015) 491-9606

mulengas@mogalakwena.gov.za

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 153, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during November 2017.

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**A.V.K. MASHELE**  
**MUNICIPAL MANAGER (Acting)**  
20 October 2017

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**S. MULENGA**  
**CHIEF FINANCIAL OFFICER (Acting)**  
20 October 2017

**MOGALAKWENA MUNICIPALITY**  
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**MEMBERS OF THE COUNCIL**

WARD	COUNCILLORS	PROPORTIONAL COUNCILLORS
1	Hlako NR ANC	Kekana VH ANC
2	Moloto ME ANC	Mathebula HS ANC
3	Madiba MJ ANC	Matsemela RA ANC
4	Satekge LK ANC	Mokwele MF ANC
5	Baloyi LK ANC	Monene RN ANC
6	Monare MB ANC	Olifant PL ANC
7	Meteleni MS ANC	Rapatsa MM ANC
8	Sebajane RP ANC	Sebatjane MP ANC
9	Libisi EJ ANC	Senoamadi MM ANC
10	Masipa SR ANC	Tefu MS ANC
11	Langa LD ANC	Tlhaku MS ANC
12	Lentsoane MC ANC	Lelaka MS EFF
13	Mampane MJ ANC	Leso ES EFF
14	Laka LE ANC	Maepa MR EFF
15	Sekhaolelo SM ANC	Mahladisa ME EFF
16	Mthilibofu LW ANC	Maluleke KJ EFF
17	Seema SE ANC	Molefe LJ EFF
18	Letwaba MS ANC	Molekoa LP EFF
19	Ratema MA ANC	Monama TE EFF
20	Mogale MT ANC	Puka LE EFF
21	Nkhuna BT ANC	Seanego TJ EFF
22	Legodi LG ANC	Thobane MS EFF
23	Lamola LN ANC	Tlhako VK EFF
24	Selema RG ANC	Tselana PA EFF
25	Tjale MR ANC	Magongwa BN DA
26	Debeila SA ANC	Mashao ML DA
27	Kekana ME ANC	Pooe TT DA
28	Langa MJ ANC	Senosha SCG DA
29	Matlala MS ANC	Makgeta TS AZAPO
30	Mashala LJ ANC	Kekana TM COPE
31	Dekker KQ DA	Maritz MF FFPlus
32	Coetzee Y DA	Leshiba MC MRA

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

**MEMBERS OF THE COUNCIL (continued)**

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**A.V.K. MASHELE**  
**MUNICIPAL MANAGER (Acting)**  
20 October 2017

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

**FOREWORD**

It was an absolute pleasure to present the Mogalakwena Municipality 2017/18 IDP and budget for the first time in the term of the new council following the Local Government elections in August 2016. I am absolutely confident that the budget tabled will change the lives of our people for the better. To improve the lives of our people, we need to improve our performance as a municipality, improve our operational efficiency and responsiveness to service delivery. Our senior managers need to acknowledge the fundamental importance of addressing underlying service delivery hindrances.

The IDP and budget were not prepared without challenges. We would all recall that in the 2015/16 financial year, the municipality went through a turbulent period of labour unrest. The implications emanating from this situation had far reaching consequences which in a way affected the budgeting for the 2016/17 financial year and by default, has affected the 2017/18 financial year. Though the municipality had challenges, it could still pride itself in that it managed to deliver services to the people under difficult circumstances. These challenges were aggravated by the drought that affected the whole country, and in particular Mogalakwena.

This, and many more initiatives, came at a cost to the municipality which required that more and more financial resources be released from the reserves. Traditionally the use of reserves was minimal in Mogalakwena for a long time until the *El Nino* phenomenon took its toll on the availability of rain resulting in low water levels in the dams that supply water to our area. Coupled with this was the challenge of a reducing revenue collection rate, both in current and historical debt book. It is important to note that the demand on the municipality in terms of service delivery continues to grow and this results in an ever-increasing outflow on the resources at the disposal of the municipality. I am however, constitutionally obliged to deliver services across a wide spectrum of packages. Added to many responsibilities to the municipality outside the traditional functions of service delivery, municipalities are obliged to promote social and economic development in the areas of their jurisdiction.

To achieve this goal, a lot of resources will be required. Active participation by our communities therefore becomes a prerequisite for inclusive growth. As alluded to above, the municipality is faced with a lot of challenges which are multi-sectorial and inter-related in nature. They include amongst others, issues relating to infrastructure development, electricity, road, water, social development etc. In order to mitigate the challenges, we have identified revenue enhancement and credit control as key towards sustaining our municipal services. We will be initiating various programmes aimed at enhancing our revenue and improving the balance sheet of our municipality. Programmes such as street parking management, smart metering, debt consolidation for our customers, repairing leakages, energy efficiency programme such as solar geyser and recycling of waste.

On property development, we intend to utilise this productive Land asset, by developing properties such as the regional mall and motor city within the municipality to increase the property values that will add to the revenue.

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**CLR R.A. MATSEMELA**  
**MAYOR**  
20 October 2017

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

**STATEMENT BY THE MUNICIPAL MANAGER**

Mogalakwena Municipality is a Grade 6 Local Authority whose ultimate objectives are to create a climate conducive for economic growth and job creation, to expand and enhance the infrastructure, and to ensure that more people of our municipality have access to basic services.

The municipality's key responsibilities include the provision of basic services such as electricity, water, sanitation, refuse removal, roads and storm water and recreational facilities to make our municipality a pleasant place to live in. While doing this, it is essential that the municipality's administration is well managed. In order to manage administration well and to ensure that more people have access to basic services, we need to improve our performance as a municipality, improve our operational efficiency and responsiveness to service delivery. The employees of the municipality need to acknowledge the fundamental importance of addressing underlying service delivery hindrances. To achieve the strategic objectives, a concerted effort and commitment will be required from all of us in the municipality and our stakeholders from all disciplines.

The above initiatives will be possible if the minimal financial resources available are well managed. The municipality compiled a cash-backed budget with the aim of providing the following services to the 82 675 households: Water and Sanitation, Roads and Storm Water, Refuse Removal and Electricity Distribution. The IDP and budget identified projects that should be funded for implementation in the 2017/18 MTREF. However, this budget, though cash-backed, posed a lot of challenges because of the revenue base which has grown minimally in real terms. To mitigate this challenge of a minimal revenue growth, the municipality prepared a customised revenue strategy which will improve the revenue base and thereby ensure continued delivery of services to our people.

However, as important as Revenue Management is, Expenditure Management, which is also prescribed per section 65 of the Municipal Finance Management Act in respect of Cash Outflow (Expenditure side), is just as important as collecting revenue. Responsible spending is important and will be enforced going forward so that Mogalakwena can continue providing services and paying its creditors and employees without relying on loans and interventions. It is important to note that the demand on the municipality in terms of service delivery to the ever growing communities or new extensions in the rural areas will result in an ever-increasing outflow on the resources at the disposal of the municipality.

We are never the less committed to working in partnership with our institutions of traditional leadership and sector departments to eradicate the remaining service delivery backlogs as identified in the IDP community road shows. The municipality is charged with the responsibility of ensuring prompt and responsive, accelerated service delivery and sustained growth as it is at the coalface of service delivery. To achieve this goal, a lot of resources will be required. The national development plan promotes active citizenry. Active participation by our communities therefore becomes a prerequisite for inclusive growth.

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**A.V.K. MASHELE**  
**MUNICIPAL MANAGER (Acting)**  
20 October 2017



# MOGALAKWENA MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2017

### REPORT OF THE CHIEF FINANCIAL OFFICER

#### 1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Mogalakwena Municipality at 30 June 2017.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2016/17 financial period is set out in Directive 5 issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2017 indicates an decrease in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the loss generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the decrease in Payables.

#### 2. MSCOA IMPLEMENTATION PLAN

At 30 June 2016 the municipality was still in progress with the implementation of MSCoA. The municipality did not early adopt disclosures to be aligned to MSCOA chart, neither were any of the Accounting Policies amended based on the classification requirements within MSCOA. Disclosure has therefore been applied consistently from the prior year.

Frequent Provincial Treasury Workshops on MSCOA were attended by the delegated officials of the municipality to ensure that all staff are aware of the impact that MSCOA will have on the municipal operations and reporting as from 1 July 2017.

#### 3. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

##### 3.1 Financial Statement Ratios:

INDICATOR	2017	2016
Surplus / (Deficit) before Appropriations	(116 907 938)	377 898 023
Surplus / (Deficit) at the end of the Year	6 358 535 384	6 475 443 322
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	17.41%	24.70%
Remuneration of Councillors	1.62%	2.28%
Collection Costs	0.15%	0.16%
Depreciation and Amortisation	27.81%	9.86%
Impairment Losses	3.03%	9.18%
Repairs and Maintenance	17.49%	14.00%
Interest Paid	0.02%	0.03%
Bulk Purchases	17.18%	22.77%
Contracted Services	4.91%	3.34%
Grants and Subsidies Paid	2.58%	3.20%
General Expenses	7.79%	10.44%
Current Ratio:		
Trade Creditors Days	81	127
Debtors from Exchange Transactions Days	127	126

### 3.2 Performance Indicators:

INDICATOR	2017	2016
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	21.20%	18.04%
Outstanding Service Debtors to Revenue	43.27%	39.27%
Liquidity Management:		
Liquidity Ratio	0.59	1.42
Financial Viability:		
Debt Coverage	13.00	11.69
Cost Coverage	0.25	0.68
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	100.16%	43.08%
Capital Expenditure on Infrastructure to Total Capital Expenditure	89.03%	90.71%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

## 4. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Mogalakwena Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2017 are as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	4 056 274 328	(113 382 831)	(3 677.50)	-	100.00
Operating income for the year	1 111 212 372	1 241 243 622	(10.48)	1 200 685 978	(7.45)
Appropriations for the year	(67 269 929)	(344 029 598)	(80.45)	-	100.00
	5 100 216 771	783 831 193	550.68	1 200 685 978	324.78
<b>Expenditure:</b>					
Operating expenditure for the year	1 228 120 310	863 345 599	42.25	1 025 700 703	19.73
Sundry transfers	-	(4 135 788 734)	(100.00)	-	-
Closing surplus / (deficit)	3 872 096 461	4 056 274 328	(4.54)	174 985 275	2 112.81
	5 100 216 771	783 831 193	550.68	1 200 685 978	324.78

#### 4.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	519 672 673	558 881 343	(7.02)	538 046 539	(3.41)
Expenditure	661 223 461	416 768 483	58.65	532 383 195	24.20
Surplus / (Deficit)	(141 550 787)	142 112 859	(199.60)	5 663 344	(2 599.42)
Surplus / (Deficit) as % of total income	(27.24)%	25.43%		1.05%	

#### 4.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	153 922	147 248	4.53	158 740	(3.04)
Expenditure	154 630	170 813	(9.47)	160 205	(3.48)
Surplus / (Deficit)	(708)	(23 565)	(96.99)	(1 465)	(51.66)
Surplus / (Deficit) as % of total income	(0.46)%	(16.00)%		(0.92)%	

#### 4.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	40 911 232	55 657 996	(26.50)	56 732 320	(27.89)
Expenditure	54 535 307	56 289 516	(3.12)	53 346 971	2.23
Surplus / (Deficit)	(13 624 074)	(631 521)	2 057.34	3 385 349	(502.44)
Surplus / (Deficit) as % of total income	(33.30)%	(1.13)%		5.97%	

#### 4.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R176 100 293 (2016: R162 967 240). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	275 866 487	227 958 818	21.02	271 349 735	1.66
Expenditure	286 145 131	204 255 989	40.09	247 556 776	15.59
Surplus / (Deficit)	(10 278 644)	23 702 829	(143.36)	23 792 959	(143.20)
Surplus / (Deficit) as % of total income	(3.73)%	10.40%		8.77%	

#### 4.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R34 916 517 (2016: R33 584 352 ). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	274 608 058	398 598 218	(31.11)	334 398 644	(17.88)
Expenditure	226 061 782	185 860 798	21.63	192 253 556	17.59
Surplus / (Deficit)	48 546 276	212 737 420	(77.18)	142 145 088	(65.85)
Surplus / (Deficit) as % of total income	17.68%	53.37%		42.51%	

#### 5. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R450 274 499 (2015/16: R514 354 550). Full details of Assets are disclosed in Notes 9, 11, 12, 10 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R450 274 499 was financed as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Capital Replacement Reserve	127 799 412	107 168 513	19.25	143 639 634	(11.03)
Grants and Subsidies	316 517 567	407 885 522	(22.40)	344 446 471	(8.11)
Own Funds (Accumulated Surplus)	5 957 520	(699 485)	(951.70)	-	100.00
	450 274 499	514 354 550	(12.46)	488 086 105	(7.75)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2017	2016
Capital Replacement Reserve	28.38%	20.84%
Grants and Subsidies	70.29%	79.30%
Own Funds (Accumulated Surplus)	1.32%	(0.14)%
	100.00%	100.00%

## 6. RECONCILIATION OF BUDGET TO ACTUAL

### 6.1 Operating Budget:

DETAILS	2017	2016
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	174 985 275	299 038 680
Revenue variances	(89 473 606)	158 997 217
Expenditure variances:		
Employee Related Costs	33 867 649	28 008 699
Remuneration of Councillors	1 557 669	(228 142)
Collection Costs	289 040	415 457
Depreciation and Amortisation	(279 686 821)	(7 748 973)
Impairment Losses	6 766 965	(31 472 825)
Repairs and Maintenance	5 509 057	(54 940 999)
Interest Paid	(223 917)	(271 023)
Bulk Purchases	34 263	1 423 406
Contracted Services	33 498 290	1 997 266
Grants and Subsidies Paid	(3 367 291)	(621 113)
General Expenses	(664 510)	(16 334 910)
Loss on disposal of Property, Plant and Equipment	-	(364 717)
Actual surplus before appropriations	(116 907 938)	377 898 023

DETAILS	2017	2016
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	174 985 275	277 701 187
Executive and Council	31 153 659	(5 681 371)
Budget and Treasury Office	1 394 473	19 820 768
Corporate Services	(5 222 590)	14 004 825
Planning and Development	3 649 430	4 787 047
Health	(295 494)	30 911
Community and Social Services	(30 264 473)	1 469 012
Housing	757	15 616
Public Safety	(3 917 420)	3 140 574
Sport and Recreation	(5 046 022)	1 753 959
Environmental Protection	362 643	438 249
Waste Management	(6 973 093)	12 654 543
Waste Water Management	(10 036 330)	1 071 405
Roads and Transport	(139 476 828)	17 146 310
Water	(93 598 812)	23 941 142
Electricity	(34 071 603)	4 602 270
Other	448 491	1 001 574
Actual surplus before appropriations	(116 907 938)	377 898 023

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

## 6.2 Capital Budget:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Variance actual 2016/17 / 2015/16 R	Budgeted 2016/17 R	Variance actual/ budgeted R
Executive and Council	-	782 460	(782 460)	-	-
Budget and Treasury Office	79 572	41 651	37 921	896 101	(816 529)
Corporate Services	13 306 794	11 395 768	1 911 025	22 303 372	(8 996 578)
Community and Social Services	943 723	111 385	832 338	2 332 887	(1 389 164)
Sport and Recreation	26 466 327	23 307 878	3 158 449	27 276 689	(810 362)
Public Safety	246 217	115 500	130 717	289 917	(43 701)
Planning and Development	26 073	7 984	18 089	6 502	19 571
Roads and Transport	50 520 533	62 059 831	(11 539 298)	33 222 821	17 297 712
Environmental Protection	-	-	-	10 000	(10 000)
Electricity	10 299 751	5 723 143	4 576 608	46 016 736	(35 716 985)
Water	253 816 664	349 848 482	(96 031 818)	255 638 043	(1 821 379)
Waste Water Management	91 189 764	61 940 970	29 248 795	95 362 080	(4 172 316)
Waste Management	3 379 082	(1 061 165)	4 440 247	4 730 957	(1 351 875)
Other	-	80 664	(80 664)	-	-
	450 274 499	514 354 550	(64 080 050)	488 086 105	(37 811 606)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

## 7. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2017 amounted to R6 358 535 384 (30 June 2016: R6 475 443 322) and is made up as follows:

Capital Replacement Reserve	193 581 949
Capitalisation Reserve	242 316
Donations and Public Contributions Reserve	553 536
Government Grants Reserve	2 292 061 122
Accumulated Surplus	<u>3 872 096 461</u>
	<u>6 358 535 384</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Donations and Public Contributions Reserve is utilised to offset the cost of depreciation of assets funded from Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

## 8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R77 758 782 as at 30 June 2017 (30 June 2016: R76 593 297) and is made up as follows:

Post-retirement Health Care Benefits Liability	67 781 796
Long Service Awards Liability	<u>9 976 986</u>
	<u>77 758 782</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R11 123 292 as at 30 June 2017 (30 June 2016: R11 195 858) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	11 123 292
	<u>11 123 292</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R368 378 302 as at 30 June 2017 (30 June 2016: R368 774 644) and is made up as follows:

Consumer Deposits	Note 14	21 110 674
Provisions	Note 15	4 593 882
Payables from Exchange Transactions	Note 16	217 762 867
Payables from Non-exchange Transactions	Note 17	60 960 561
Unspent Conditional Grants and Receipts	Note 18	<u>63 950 319</u>
		<u>368 378 302</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R6 268 489 354 as at 30 June 2017 (30 June 2016: R6 165 112 887).

Refer to Note 9 and Appendices "B, C and E (4)" for more detail.

## 12. HERITAGE ASSETS

The net value of Heritage Assets were R5 736 342 as at 30 June 2017 (30 June 2016: R5 736 342).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 10 and Appendix "B" for more detail.

### 13. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 985 093 as at 30 June 2017 (30 June 2016: R1 780 828).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 11 and Appendix "B" for more detail.

### 14. INVESTMENT PROPERTY

The net value of Investment Properties were R35 359 425 as at 30 June 2017 (30 June 2016: R35 662 945).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 12 and Appendix "B" for more detail.

### 15. LONG-TERM RECEIVABLES

Long-term Receivables of R1 082 056 at 30 June 2017 (30 June 2016: R219 962) is made up as follows:

Debtors Capitalised Loans	6 326 127
Sale of Stand Loans	866 425
Study Cost Loans	43 380
	<hr/>
	7 235 932
Less: Short-term portion included in Current Assets	6 153 876
	<hr/>
	1 082 056

The decrease in the amount for Long-term Receivables is due to the increased amount in the short-term portion due to agreements expiring in the year 2014/15.

Refer to Note 13 for more detail.

### 16. CURRENT ASSETS

Current Assets amounted R503 143 491 as at 30 June 2017 (30 June 2016: R723 494 157) and is made up as follows:

Inventories	Note 2	9 125 109
Receivables from Exchange Transactions	Note 3	105 885 181
Receivables from Non-exchange Transactions	Note 4	50 995 326
VAT Receivable	Note 5	113 472 281
Cash and Cash Equivalents	Note 6	217 425 666
Operating Lease Assets	Note 7	86 051
Current Portion of Long-term Debtors	Note 13	6 153 876
		<hr/>
		503 143 491

The increase in the amount for Current Assets is mainly due to the increased amount for Cash and Cash Equivalents due to the non-payment of Payables.

Refer to the indicated Notes for more detail.



## **17. INTER-GOVERNMENTAL GRANTS**

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 26, and Appendix "F" for more detail.

## **18. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 61.

## **19. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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**S. MULENGA**

**CHIEF FINANCIAL OFFICER (Acting)**

20 October 2017

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

		Actual	
	Note	2017	2016
		R	Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>503 143 491</b>	<b>723 494 157</b>
Inventories	2	9 125 109	9 970 906
Receivables from Exchange Transactions	3	105 885 181	103 103 792
Receivables from Non-exchange Transactions	4	50 995 326	39 793 251
VAT Receivable	5	113 472 281	42 788 643
Cash and Cash Equivalents	6	217 425 666	525 442 644
Operating Lease Receivables	7	86 051	90 327
Current Portion of Long-term Receivables	8	6 153 876	2 304 594
<b>Non-Current Assets</b>		<b>6 312 652 270</b>	<b>6 208 512 964</b>
Property, Plant and Equipment	9	6 268 489 354	6 165 112 887
Heritage Assets	10	5 736 342	5 736 342
Intangible Assets	11	1 985 093	1 780 828
Investment Property	12	35 359 425	35 662 945
Long-term Receivables	13	1 082 056	219 962
<b>Total Assets</b>		<b>6 815 795 760</b>	<b>6 932 007 121</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>368 378 302</b>	<b>368 774 644</b>
Consumer Deposits	14	21 110 674	20 286 493
Provisions	15	4 593 882	4 532 007
Payables from Exchange Transactions	16	217 762 867	226 359 273
Payables from Non-exchange Transactions	17	60 960 561	58 628 555
Unspent Conditional Grants and Receipts	18	63 950 319	58 968 316
<b>Non-Current Liabilities</b>		<b>88 882 074</b>	<b>87 789 155</b>
Employee Benefit Liabilities	20	77 758 782	76 593 297
Non-current Provisions	21	11 123 292	11 195 858
<b>Total Liabilities</b>		<b>457 260 376</b>	<b>456 563 799</b>
<b>Total Assets and Liabilities</b>		<b>6 358 535 384</b>	<b>6 475 443 322</b>
<b>NET ASSETS</b>		<b>6 358 535 384</b>	<b>6 475 443 322</b>
Accumulated Surplus / (Deficit)	22	6 358 535 384	6 475 443 322
<b>Total Net Assets</b>		<b>6 358 535 384</b>	<b>6 475 443 322</b>

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Actual	
		2017	2016
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	23	59 618 321	55 459 979
Fines	24	2 286 246	3 163 638
Licences and Permits	25	85 605	77 531
Government Grants and Subsidies Received	26	678 655 290	783 769 534
Public Contributions and Donations	27	-	1 757 804
<b>Revenue from Exchange Transactions</b>			
Service Charges	28	304 626 117	297 495 261
Rental of Facilities and Equipment	29	1 821 148	571 872
Interest Earned - External Investments	30	31 114 322	38 940 023
Interest Earned - Outstanding Debtors	30	10 686 636	16 228 989
Income from Agency Services	31	8 889 834	8 125 789
Operational Revenue	32	14 304 662	3 971 309
Gains on Disposal of Property, Plant and Equipment	45	-	-
Profit on Sale of Land:-	33	(875 808)	31 681 893
Sale of Land		11 096 192	31 981 893
Cost of Sales		(11 972 000)	(300 000)
<b>Total Revenue</b>		<b>1 111 212 372</b>	<b>1 241 243 622</b>
<b>EXPENDITURE</b>			
Employee Related Costs	34	213 836 628	213 228 681
Remuneration of Councillors	35	19 928 433	19 703 859
Collection Costs	36	1 868 968	1 396 442
Depreciation and Amortisation	37	341 542 967	85 097 825
Impairment Losses	38	37 233 035	79 293 475
Repairs and Maintenance	39	214 811 923	120 857 876
Finance Costs	40	223 917	271 023
Bulk Purchases	41	211 016 811	196 551 593
Contracted Services	42	60 246 359	28 844 404
Grants and Subsidies Paid	43	31 725 504	27 619 201
Operational Costs	44	95 685 764	90 116 503
Loss on Disposal of Property, Plant and Equipment	45	-	364 717
<b>Total Expenditure</b>		<b>1 228 120 310</b>	<b>863 345 599</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(116 907 938)</b>	<b>377 898 023</b>

Refer to Budget Statement for explanation of budget variances

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2016</b>		
Balance at 30 June 2015	1 961 756 565	1 961 756 565
Change in Accounting Policy (Note 46)	-	-
Correction of Error (Note 47)	4 135 788 734	4 135 788 734
<b>Restated Balance</b>	<b>6 097 545 299</b>	<b>6 097 545 299</b>
Surplus / (Deficit) for the year	377 898 023	377 898 023
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
<b>Balance at 30 June 2016</b>	<b>6 475 443 322</b>	<b>6 475 443 322</b>
<b>2017</b>		
Change in Accounting Policy (Note 46)	-	-
Correction of Error (Note 47)	(688 949)	(688 949)
<b>Restated Balance</b>	<b>6 475 443 322</b>	<b>6 475 443 322</b>
Surplus / (Deficit) for the year	(116 907 938)	(116 907 938)
Contributions to Funds and Reserves	0	0
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	(0)	(0)
Offsetting of Depreciation	-	-
<b>Balance at 30 June 2017</b>	<b>6 358 535 384</b>	<b>6 358 535 384</b>

Details on the movement of the Funds and Reserves are set out in Note 22.

**MOGALAKWENA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

		Actual	
	Note	2017	2016
		R	Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	23	48 655 671	42 300 749
Government Grant and Subsidies	26	683 637 293	825 834 248
Public Contributions and Donations	27	-	1 757 804
Service Charges	28	274 298 509	215 624 281
Interest Received	30	33 275 230	38 981 810
Other Receipts	32	23 241 427	29 912 955
<b>Payments</b>			
Employee Related Costs	34	(212 609 268)	(211 044 845)
Remuneration of Councillors	35	(19 928 433)	(19 703 859)
Interest Paid	40	(223 917)	(271 023)
Suppliers Paid	42	(500 343 382)	(277 154 001)
Other Payments	44	(127 020 797)	(108 556 368)
VAT Receivable / Payable		(70 683 638)	(54 907 254)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>132 298 695</b>	<b>482 774 496</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(449 597 395)	(514 354 550)
Purchase of Intangible Assets	11	(677 104)	-
Proceeds on Disposal of Property, Plant and Equipment	45	-	-
Proceeds on Sale of Land	33	11 096 192	31 981 893
Decrease / (Increase) in Long-term Receivables	13	(1 137 365)	503 646
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(440 315 673)</b>	<b>(481 869 011)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(308 016 978)</b>	<b>905 485</b>
Cash and Cash Equivalents at Beginning of Period		525 442 644	524 537 159
Cash and Cash Equivalents at End of Period	6	217 425 666	525 442 644

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	13 027 590	(3 861 315)	9 166 275	-	-	9 166 275	9 125 109	-	(41 166)	99.55	70.04
Receivables from Exchange Transactions	193 434 999	(99 276 661)	94 158 338	-	-	94 158 338	105 885 181	-	11 726 843	112.45	54.74
Receivables from Non-exchange Transactions	103 776 721	(13 335 650)	90 441 071	-	-	90 441 071	50 995 326	-	(39 445 745)	56.39	49.14
VAT Receivable	-	-	-	-	-	-	113 472 281	-	113 472 281	0.00	0.00
Cash and Cash Equivalents	622 666 098	(97 223 454)	525 442 644	-	-	525 442 644	217 425 666	-	(308 016 978)	41.38	34.92
Operating Lease Receivables	-	-	-	-	-	-	86 051	-	86 051	0.00	0.00
Current Portion of Long-term Receivables	3 921 839	(1 617 245)	2 304 594	-	-	2 304 594	6 153 876	-	3 849 283	267.03	156.91
<b>Non-Current Assets</b>											
Property, Plant and Equipment	2 432 434 565	(363 407 279)	2 069 027 286	-	-	2 069 027 286	6 268 489 354	-	4 199 462 068	302.97	257.70
Heritage Assets	-	-	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Intangible Assets	2 977 206	-	2 977 206	-	-	2 977 206	1 985 093	-	(992 113)	66.68	66.68
Investment Property	2 733 845	(87 884)	2 645 961	-	-	2 645 961	35 359 425	-	32 713 465	1 336.35	1 293.40
Long-term Receivables	595 867	(375 905)	219 962	-	-	219 962	1 082 056	-	862 094	491.93	181.59
<b>Total Assets</b>	<b>3 375 568 730</b>	<b>(579 185 394)</b>	<b>2 796 383 337</b>	<b>-</b>	<b>-</b>	<b>2 796 383 337</b>	<b>6 815 795 760</b>	<b>-</b>	<b>4 019 412 424</b>	<b>243.74</b>	<b>201.92</b>
<b>Current Liabilities</b>											
Consumer Deposits	20 195 328	91 165	20 286 493	-	-	20 286 493	21 110 674	-	824 180	104.06	104.53
Provisions	3 896 266	335 741	4 232 007	-	-	4 232 007	4 593 882	-	361 875	108.55	117.90
Payables from Exchange Transactions	164 155 378	179 276 767	343 432 145	-	-	343 432 145	217 762 867	-	(125 669 278)	63.41	132.66
Payables from Non-exchange Transactions	-	-	-	-	-	-	60 960 561	-	60 960 561	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	63 950 319	-	63 950 319	0.00	0.00
<b>Non-Current Liabilities</b>											
Retirement Benefit Liabilities	90 623 745	(2 834 590)	87 789 155	-	-	87 789 155	77 758 782	-	(10 030 373)	88.57	85.80
Non-current Provisions	-	-	-	-	-	-	11 123 292	-	11 123 292	0.00	0.00
<b>Total Liabilities</b>	<b>278 870 717</b>	<b>176 869 083</b>	<b>455 739 800</b>	<b>-</b>	<b>-</b>	<b>455 739 800</b>	<b>457 260 376</b>	<b>-</b>	<b>1 520 576</b>	<b>100.33</b>	<b>163.97</b>
<b>Total Assets and Liabilities</b>	<b>3 096 698 013</b>	<b>(756 054 477)</b>	<b>2 340 643 536</b>	<b>-</b>	<b>-</b>	<b>2 340 643 536</b>	<b>6 358 535 384</b>	<b>-</b>	<b>4 017 891 848</b>	<b>271.66</b>	<b>205.33</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	3 096 698 013	(756 054 477)	2 340 643 536	-	-	2 340 643 536	6 358 535 384	-	4 017 891 848	271.66	205.33
<b>Total Net Assets</b>	<b>3 096 698 013</b>	<b>(756 054 477)</b>	<b>2 340 643 536</b>	<b>-</b>	<b>-</b>	<b>2 340 643 536</b>	<b>6 358 535 384</b>	<b>-</b>	<b>4 017 891 848</b>	<b>271.66</b>	<b>205.33</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Increase in Provision for Bad Debts, due to decline in recovery of Debtors, not budgeted for and restatement done in terms of GRAP 23.

Receivables from Non-exchange Transactions:

Due to decline in payment by Consumer Debtors.

VAT Receivable:

NT Budget Template not aligned to GRAP and does not provide for VAT Receivable.

Cash and Cash Equivalents:

Due to under-collection of Outstanding Debtors and increase in Repairs and Maintenance costs.

Operating Lease Receivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Long-term Receivables:

It has been under-budgeted for Arrangement Debtors.

Property, Plant and Equipment:

Due to take-on of Property, Plant and Equipment in terms of the asset verification project performed.

Heritage Assets:

NT Budget Template not aligned to GRAP and does not provide for Heritage Assets.

Intangible Assets:

Capital expenditure budgeted for, not realised.

Investment Property:

Due to take-on of Investment Property in terms of the asset verification project performed.

Long-term Receivables:

It was under-budgeted for Arrangement Debtors.

Payables from Exchange Transactions:

It was over-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was budgeted for Conditional Grants and Receipts to be fully spent at year-end.

Retirement Benefit Liabilities:

Over-budgeted for Provision for Retirement Benefit Liabilities.

Non-current Provisions:

It was under-budgeted for Provision for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Accumulated Surplus / (Deficit):

It was over-budgeted for Accumulated Surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	59 966 712	2 801 000	62 767 712	-	-	62 767 712	59 618 321	-	(3 149 391)	94.98	99.42
Fines	6 419 964	-	6 419 964	-	-	6 419 964	2 286 246	-	(4 133 718)	35.61	35.61
Licences and Permits	78 665	-	78 665	-	-	78 665	85 605	-	6 940	108.82	108.82
Income for Agency Services	8 751 582	-	8 751 582	-	-	8 751 582	8 889 834	-	138 252	101.58	101.58
Government Grants and Subsidies Received	682 938 850	1 268 169	684 207 019	-	15 210 302	699 417 321	362 295 469	-	(337 121 852)	51.80	53.05
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Revenue from Exchange Transactions</b>											
Service Charges	343 025 879	10 027 900	353 053 779	-	-	353 053 779	304 626 117	-	(48 427 662)	86.28	88.81
Rental of Facilities and Equipment	1 145 375	-	1 145 375	-	-	1 145 375	1 821 148	-	675 773	159.00	159.00
Interest Earned - External Investments	33 056 564	600 000	33 656 564	-	-	33 656 564	31 114 322	-	(2 542 242)	92.45	94.12
Interest Earned - Outstanding Debtors	2 968 107	-	2 968 107	-	-	2 968 107	10 686 636	-	7 718 529	360.05	360.05
Operational Revenue	2 895 909	2 431 000	5 326 909	-	-	5 326 909	14 304 662	-	8 977 753	268.54	493.96
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	27 100 000	-	27 100 000	-	-	27 100 000	(875 808)	-	(27 975 808)	0.00	0.00
<b>Total Revenue</b>	<b>1 168 347 607</b>	<b>17 128 069</b>	<b>1 185 475 676</b>	<b>-</b>	<b>15 210 302</b>	<b>1 200 685 978</b>	<b>794 852 551</b>	<b>-</b>	<b>(405 833 427)</b>	<b>66.20</b>	<b>68.03</b>
<b>Expenditure</b>											
Employee Related Costs	279 954 735	(1 260 458)	278 694 277	-	(30 990 000)	247 704 277	213 836 628	-	(33 867 649)	86.33	76.38
Remuneration of Councillors	21 086 102	400 000	21 486 102	-	-	21 486 102	19 928 433	-	(1 557 669)	92.75	94.51
Collection Costs	732 033	200 000	932 033	-	1 225 975	2 158 008	1 868 968	-	(289 040)	86.61	255.31
Depreciation and Amortisation	71 313 450	-	71 313 450	-	(9 457 304)	61 856 146	341 542 967	279 686 821	279 686 821	552.16	478.93
Impairment Losses	44 000 000	-	44 000 000	-	-	44 000 000	37 233 035	-	(6 766 965)	84.62	84.62
Repairs and Maintenance	60 597 036	76 277 115	136 874 151	-	83 446 829	220 320 980	214 811 923	-	(5 509 057)	97.50	354.49
Finance Costs	-	-	-	-	-	-	223 917	223 917	223 917	0.00	0.00
Bulk Purchases	213 190 336	-	213 190 336	-	(2 139 262)	211 051 074	211 016 811	-	(34 263)	99.98	98.98
Contracted Services	62 941 281	27 603 340	90 544 621	-	3 200 028	93 744 649	60 246 359	-	(33 498 290)	64.27	95.72
Grants and Subsidies Paid	31 289 754	1 589 078	32 878 832	-	(4 520 619)	28 358 213	31 725 504	3 367 291	3 367 291	111.87	101.39
Operational Costs	63 419 717	32 151 769	95 571 486	-	(550 232)	95 021 254	95 685 764	664 510	664 510	100.70	150.88
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure</b>	<b>848 524 444</b>	<b>136 960 844</b>	<b>985 485 288</b>	<b>-</b>	<b>40 215 415</b>	<b>1 025 700 703</b>	<b>1 228 120 310</b>	<b>283 942 539</b>	<b>202 419 607</b>	<b>119.73</b>	<b>144.74</b>
<b>Surplus/(Deficit)</b>	<b>319 823 163</b>	<b>(119 832 775)</b>	<b>199 990 388</b>	<b>-</b>	<b>(25 005 113)</b>	<b>174 985 275</b>	<b>(433 267 758)</b>	<b>(283 942 539)</b>	<b>(608 253 033)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	-	316 359 821	316 359 821	316 359 821	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>319 823 163</b>	<b>(119 832 775)</b>	<b>199 990 388</b>	<b>-</b>	<b>(25 005 113)</b>	<b>174 985 275</b>	<b>(116 907 938)</b>	<b>32 417 282</b>	<b>(291 893 213)</b>	<b>-</b>	<b>-</b>



***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Fines:

It was over-budgeted for Fines.

Government Grants and Subsidies Received:

Unspent Grants carried as liability and not recognised as revenue.

Service Charges:

It was over-budgeted for Service Charges.

Rental of Facilities and Equipment:

It was under-budgeted for Rental of Facilities and Equipment.

Interest Earned - Outstanding Debtors:

It was budgeted only for the portion of interest expected to be paid by debtors.

Operational Revenue:

Other Income received was less than budgetary expectations.

Profit on Sale of Land:

Land Sales have slowed down due to reduction in number of available stands.

Employee Related Costs:

Several vacant positions were not filled during 2016/17.

Collection Costs:

It was over-budgeted for Collection Costs.

Depreciation and Amortisation:

Depreciation and Amortisation increased beyond budgetary expectations because of the review of remaining useful lives of assets and take-on of assets not previously recognised.

Impairment Losses:

It was over-budgeted for Impairment Losses on Receivables.

Finance Costs:

It was not budgeted for Interest and Penalties on late payments made.

Contracted Services:

Due to reduction in the number of Contracted Services entered into by the municipality.

Grants and Subsidies Paid:

Under-budgeted for Free Basic Services - expense debited to Revenue Foregone.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	231 000	(91 000)	140 000	-	(140 000)	-	-	-	-	0.00	0.00
Budget and Treasury Office	1 004 000	19 098	1 023 098	-	(126 997)	896 101	79 572	-	(816 529)	8.88	7.93
Corporate Services	13 395 000	9 405 580	22 800 580	-	(497 208)	22 303 372	13 306 794	-	(8 996 578)	59.66	99.34
Community and Social Services	3 251 000	1 667 000	4 918 000	-	(2 585 113)	2 332 887	943 723	-	(1 389 164)	40.45	29.03
Sport and Recreation	27 334 000	3 044 298	30 378 298	-	(3 101 609)	27 276 689	26 466 327	-	(810 362)	97.03	96.83
Public Safety	800 000	(202 954)	597 046	-	(307 129)	289 917	246 217	-	(43 701)	84.93	30.78
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00
Planning and Development	90 000	(83 500)	6 500	-	2	6 502	26 073	19 571	19 571	401.00	28.97
Roads and Transport	52 938 000	(155 738)	52 782 262	-	(19 559 441)	33 222 821	50 520 533	17 297 712	17 297 712	152.07	95.43
Environmental Protection	20 000	(10 000)	10 000	-	-	10 000	-	-	(10 000)	0.00	0.00
Electricity	31 312 500	19 142 735	50 455 235	-	(4 438 499)	46 016 736	10 299 751	-	(35 716 985)	22.38	32.89
Water	244 056 000	(2 390 388)	241 665 612	-	13 972 431	255 638 043	253 816 664	-	(1 821 379)	99.29	104.00
Waste Water Management	24 305 000	71 953 271	96 258 271	-	(896 191)	95 362 080	91 189 764	-	(4 172 316)	95.62	375.19
Waste Management	9 599 000	3 826 000	13 425 000	-	(8 694 043)	4 730 957	3 379 082	-	(1 351 875)	71.42	35.20
Other	66 000	(66 000)	-	-	-	-	-	-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>408 401 500</b>	<b>106 058 402</b>	<b>514 459 902</b>	<b>-</b>	<b>(26 373 797)</b>	<b>488 086 105</b>	<b>450 274 499</b>	<b>17 317 283</b>	<b>(37 811 606)</b>	<b>92.25</b>	<b>110.25</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Budget and Treasury Office: Savings realised on capital items budgeted for and not procured.											
Corporate Services: Savings realised on capital items budgeted for and not procured.											
Community and Social Services: Savings realised on capital items budgeted for and not procured.											
Public Safety: Savings realised on capital items budgeted for and not procured.											
Planning and Development: Budget exceeded due to Irregular Expenditure incurred.											
Roads and Transport: Budget exceeded due to Irregular Expenditure incurred.											
Environmental Protection: Savings realised on capital items budgeted for and not procured.											
Electricity: Savings realised on capital items budgeted for and not procured.											
Waste Management: Savings realised on capital items budgeted for and not procured.											

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Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	50 971 705	11 796 007	62 767 712	-	-	62 767 712	48 655 671	-	(14 112 041)	77.52	95.46
Grants	682 938 850	1 268 169	684 207 019	-	-	684 207 019	683 637 293	-	(569 726)	99.92	100.10
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
Service Charges	291 571 997	61 482 003	353 054 000	-	-	353 054 000	274 298 509	-	(78 755 491)	77.69	94.08
Interest Received	36 024 671	600 000	36 624 671	-	-	36 624 671	33 275 230	-	(3 349 441)	90.85	92.37
Other Receipts	19 291 495	2 431 000	21 722 495	-	-	21 722 495	23 241 427	1 518 932	1 518 932	106.99	120.47
Employee Related Costs	-	-	-	-	-	-	(212 609 268)	-	(212 609 268)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(19 928 433)	-	(19 928 433)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(223 917)	-	(223 917)	0.00	0.00
Suppliers Paid	(704 074 490)	(133 666 766)	(837 741 256)	-	-	(837 741 256)	(500 343 382)	337 397 874	337 397 874	0.00	0.00
Other Payments	(29 414 754)	(3 094 078)	(32 508 832)	-	-	(32 508 832)	(127 020 797)	-	(94 511 965)	0.00	0.00
VAT Receivable / Payable	-	-	-	-	-	-	(70 683 638)	-	(70 683 638)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(408 401 500)	(106 058 402)	(514 459 902)	-	-	(514 459 902)	(449 597 395)	64 862 507	64 862 507	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(677 104)	-	(677 104)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	27 100 000	-	27 100 000	-	-	27 100 000	11 096 192	-	(16 003 808)	40.95	40.95
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	(1 137 365)	-	(1 137 365)	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(33 992 026)</b>	<b>(165 242 067)</b>	<b>(199 234 093)</b>	<b>-</b>	<b>-</b>	<b>(199 234 093)</b>	<b>(308 016 978)</b>	<b>403 779 313</b>	<b>(108 782 885)</b>	<b>0.00</b>	<b>0.00</b>

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates:

Decrease in Property Rates due to poor collection rate.

Service Charges:

Decrease in Service Charges due to poor collection rate.

Employee Related Costs:

NT Budget Template not aligned to GRAP requirements - Employee Costs included in Suppliers Paid below.

Remuneration of Councillors:

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Interest Paid:

It was not budgeted for Interest and Penalties on late payments made.

Suppliers Paid:

NT Budget Template not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Other Payments:

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Property, Plant and Equipment:

Savings realised on capital items budgeted for and not procured.

Purchase of Intangible Assets:

Nt Budget Template not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Proceeds on Disposal of Property, Plant and Equipment:

Proceeds on Disposal of Land not budgeted for.

Profit on Sale of Land:

Land Sales has slowed down due to reduction in number of available stands.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for the change in Long-term Receivables.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	9 243 837	-	9 243 837	-	-	9 243 837	9 970 906	-	727 069	107.87	107.87
Receivables from Exchange Transactions	68 021 192	-	68 021 192	-	-	68 021 192	103 103 792	-	35 082 600	151.58	151.58
Receivables from Non-exchange Transactions	129 934 081	-	129 934 081	-	-	129 934 081	39 793 251	-	(90 140 830)	30.63	30.63
VAT Receivable	-	-	-	-	-	-	42 788 643	-	42 788 643	0.00	0.00
Cash and Cash Equivalents	296 217 412	-	296 217 412	-	-	296 217 412	525 442 644	-	229 225 232	177.38	177.38
Operating Lease Receivables	-	-	-	-	-	-	90 327	-	90 327	0.00	0.00
Current Portion of Long-term Receivables	5 166 231	-	5 166 231	-	-	5 166 231	2 304 594	-	(2 861 637)	44.61	44.61
<b>Non-Current Assets</b>											
Property, Plant and Equipment	2 204 136 405	-	2 204 136 405	-	-	2 204 136 405	6 165 112 887	-	3 960 976 482	279.71	279.71
Heritage Assets	-	-	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Intangible Assets	2 677 080	-	2 677 080	-	-	2 677 080	1 780 828	-	(896 252)	66.52	66.52
Investment Property	2 609 444	-	2 609 444	-	-	2 609 444	35 662 945	-	33 053 501	1 366.69	1 366.69
Long-term Receivables	6 056 596	-	6 056 596	-	-	6 056 596	219 962	-	(5 836 634)	3.63	3.63
<b>Total Assets</b>	<b>2 724 062 278</b>	<b>-</b>	<b>2 724 062 278</b>	<b>-</b>	<b>-</b>	<b>2 724 062 278</b>	<b>6 932 007 121</b>	<b>-</b>	<b>4 207 944 843</b>	<b>254.47</b>	<b>254.47</b>
<b>Current Liabilities</b>											
Consumer Deposits	21 324 614	-	21 324 614	-	-	21 324 614	20 286 493	-	(1 038 121)	95.13	95.13
Provisions	3 030 146	-	3 030 146	-	-	3 030 146	4 532 007	-	1 501 861	149.56	149.56
Payables from Exchange Transactions	131 634 665	-	131 634 665	-	-	131 634 665	226 359 273	-	94 724 608	171.96	171.96
Payables from Non-exchange Transactions	-	-	-	-	-	-	58 628 555	-	58 628 555	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	58 968 316	-	58 968 316	0.00	0.00
<b>Non-Current Liabilities</b>											
Retirement Benefit Liabilities	81 887 470	-	81 887 470	-	-	81 887 470	76 593 297	-	(5 294 173)	93.53	93.53
Non-current Provisions	6 744 260	-	6 744 260	-	-	6 744 260	11 195 858	-	4 451 598	166.01	166.01
<b>Total Liabilities</b>	<b>244 621 155</b>	<b>-</b>	<b>244 621 155</b>	<b>-</b>	<b>-</b>	<b>244 621 155</b>	<b>456 563 799</b>	<b>-</b>	<b>211 942 644</b>	<b>186.64</b>	<b>186.64</b>
<b>Total Assets and Liabilities</b>	<b>2 479 441 123</b>	<b>-</b>	<b>2 479 441 123</b>	<b>-</b>	<b>-</b>	<b>2 479 441 123</b>	<b>6 475 443 322</b>	<b>-</b>	<b>3 996 002 199</b>	<b>261.17</b>	<b>261.17</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	2 479 441 123	-	2 479 441 123	-	-	2 479 441 123	6 475 443 322	-	3 996 002 199	261.17	261.17
<b>Total Net Assets</b>	<b>2 479 441 123</b>	<b>-</b>	<b>2 479 441 123</b>	<b>-</b>	<b>-</b>	<b>2 479 441 123</b>	<b>6 475 443 322</b>	<b>-</b>	<b>3 996 002 199</b>	<b>261.17</b>	<b>261.17</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Increase in Provision for Bad Debts, due to decline in recovery of Debtors, not budgeted for and restatement done in terms of GRAP 23.

Receivables from Non-exchange Transactions:

It has been under-budgeted for Assessment Rates Receivables.

VAT Receivable:

NT Budget Template not aligned to GRAP and does not provide for VAT Receivable.

Cash and Cash Equivalents:

Capital expenditure budgeted for, not realised.

Operating Lease Receivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Long-term Receivables:

It has been over-budgeted for Arrangement Debtors.

Property, Plant and Equipment:

Due to take-on of Property, Plant and Equipment in terms of the asset verification project performed.

Heritage Assets:

NT Budget Template not aligned to GRAP and does not provide for Heritage Assets.

Intangible Assets:

Capital expenditure budgeted for, not realised.

Investment Property:

Due to take-on of Investment Property in terms of the asset verification project performed.

Long-term Receivables:

It was over-budgeted for Arrangement Debtors.

Provisions:

It was under-budgeted for Performance Bonuses, Post Retirement Medical Aid Benefit Liability and Long-term Service Liability.

Payables from Exchange Transactions:

It was over-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was budgeted for Conditional Grants and Receipts to be fully spent at year-end.

Non-current Provisions:

It was under-budgeted for Provision for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	54 402 557	-	54 402 557	-	2 000 000	56 402 557	55 459 979	-	(942 578)	98.33	101.94
Fines	1 815 233	-	1 815 233	-	-	1 815 233	3 163 638	-	1 348 405	174.28	174.28
Licences and Permits	74 212	-	74 212	-	-	74 212	77 531	-	3 319	104.47	104.47
Income for Agency Services	8 256 209	-	8 256 209	-	150 000	8 406 209	8 125 789	-	(280 420)	96.66	98.42
Government Grants and Subsidies Received	667 878 563	-	667 878 563	-	63 673 880	731 552 443	374 349 598	-	(357 202 845)	51.17	56.05
Public Contributions and Donations	1 756 504	-	1 756 504	-	-	1 756 504	1 757 804	-	1 300	100.07	100.07
<b>Revenue from Exchange Transactions</b>											
Service Charges	305 468 831	-	305 468 831	-	5 000 000	310 468 831	297 495 261	-	(12 973 570)	95.82	97.39
Rental of Facilities and Equipment	1 080 542	-	1 080 542	-	-	1 080 542	571 872	-	(508 670)	52.92	52.92
Interest Earned - External Investments	26 229 700	-	26 229 700	-	1 000 000	27 229 700	38 940 023	-	11 710 323	143.01	148.46
Interest Earned - Outstanding Debtors	2 800 101	-	2 800 101	-	-	2 800 101	16 228 989	-	13 428 888	579.59	579.59
Operational Revenue	2 290 953	-	2 290 953	-	517 929	2 808 882	3 971 309	-	1 162 427	141.38	173.35
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	10 193 000	-	10 193 000	-	20 000 000	30 193 000	31 681 893	-	1 488 893	104.93	310.82
<b>Total Revenue</b>	<b>1 082 246 405</b>	<b>-</b>	<b>1 082 246 405</b>	<b>-</b>	<b>92 341 809</b>	<b>1 174 588 214</b>	<b>831 823 686</b>	<b>-</b>	<b>(342 764 528)</b>	<b>70.82</b>	<b>76.86</b>
<b>Expenditure</b>											
Employee Related Costs	241 237 380	-	241 237 380	-	3 114 556	244 351 936	213 228 681	-	(31 123 255)	87.26	88.39
Remuneration of Councillors	19 475 717	-	19 475 717	-	-	19 475 717	19 703 859	228 142	228 142	101.17	101.17
Collection Costs	1 811 899	-	1 811 899	-	(293 605)	1 518 294	1 396 442	-	(121 852)	91.97	77.07
Depreciation and Amortisation	77 348 852	-	77 348 852	-	-	77 348 852	85 097 825	7 748 973	7 748 973	110.02	110.02
Impairment Losses	47 820 650	-	47 820 650	-	-	47 820 650	79 293 475	31 472 825	31 472 825	165.81	165.81
Repairs and Maintenance	65 916 877	-	65 916 877	-	77 537 525	143 454 402	120 857 876	-	(22 596 526)	84.25	183.35
Finance Costs	-	-	-	-	-	-	271 023	271 023	271 023	0.00	0.00
Bulk Purchases	197 974 999	-	197 974 999	-	(1 383 503)	196 591 496	196 551 593	-	(39 903)	99.98	99.28
Contracted Services	30 841 670	-	30 841 670	-	(1 901 093)	28 940 577	28 844 404	-	(96 173)	99.67	93.52
Grants and Subsidies Paid	26 998 088	-	26 998 088	-	10 538 246	37 536 334	27 619 201	-	(9 917 133)	73.58	102.30
Operational Costs	73 781 593	-	73 781 593	-	26 067 176	99 848 769	90 116 503	-	(9 732 266)	90.25	122.14
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	364 717	364 717	364 717	0.00	0.00
<b>Total Expenditure</b>	<b>783 207 725</b>	<b>-</b>	<b>783 207 725</b>	<b>-</b>	<b>113 679 302</b>	<b>896 887 027</b>	<b>863 345 599</b>	<b>40 085 680</b>	<b>(33 541 428)</b>	<b>96.26</b>	<b>110.23</b>
<b>Surplus/(Deficit)</b>	<b>299 038 680</b>	<b>-</b>	<b>299 038 680</b>	<b>-</b>	<b>(21 337 493)</b>	<b>277 701 187</b>	<b>(31 521 913)</b>	<b>(40 085 680)</b>	<b>(309 223 100)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	-	409 419 936	409 419 936	409 419 936	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>299 038 680</b>	<b>-</b>	<b>299 038 680</b>	<b>-</b>	<b>(21 337 493)</b>	<b>277 701 187</b>	<b>377 898 023</b>	<b>369 334 256</b>	<b>100 196 836</b>	<b>136.08</b>	<b>126.37</b>

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Fines:

It was under-budgeted for Fines.

Government Grants and Subsidies Received:

Capital Transfers below are included in the budget for Government Grants and Subsidies Received.

Rental of Facilities and Equipment:

It was over-budgeted for Rental of Facilities and Equipment - negligible amount.

Interest Earned - External Investments:

Interest Earned exceeded the budgetary expectations due to funds not spent, and creditors not paid and increase in interest rate.

Interest Earned - Outstanding Debtors:

It was budgeted only for the portion of interest expected to be paid by debtors.

Operational Revenue:

Other Income received was less than budgetary expectations.

Employee Related Costs:

Several vacant positions were not filled during 2015/16.

Depreciation and Amortisation:

Depreciation and Amortisation increased beyond budgetary expectations because of the review of remaining useful lives of assets.

Impairment Losses:

It was under-budgeted for Impairment Losses on Receivables.

Repairs and Maintenance:

Expenditure budgeted for met the recognition requirements of Capital Assets.

Finance Costs:

It was not budgeted for Interest and Penalties on late payments made.

Grants and Subsidies Paid:

Over budgeted for Free Basic Services - expense debited to Revenue Foregone.

Loss on Disposal of Property, Plant and Equipment:

It was not budgeted for Loss on Disposal of Property, Plant and Equipment.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

Additional funds were received after the finalisation of the Adjustment Budget, late February to June 2016, which resulted in the major portion of the virements recorded in the table above.



30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>						0	0				
Executive and Council	910 000	-	910 000	-	-	910 000	782 460	-	(127 540)	85.98	85.98
Budget and Treasury Office	978 500	-	978 500	-	(922 848)	55 652	41 651	-	(14 001)	74.84	4.26
Corporate Services	10 033 000	-	10 033 000	-	3 633 129	13 666 129	11 395 768	-	(2 270 361)	83.39	113.58
Community and Social Services	2 675 000	-	2 675 000	-	(2 363 500)	311 500	111 385	-	(200 115)	35.76	4.16
Sport and Recreation	25 725 000	-	25 725 000	-	2 773 636	28 498 636	23 307 878	-	(5 190 758)	81.79	90.60
Public Safety	988 900	-	988 900	-	30 600	1 019 500	115 500	-	(904 000)	11.33	11.68
Planning and Development	178 930	-	178 930	-	-	178 930	7 984	-	(170 946)	4.46	4.46
Roads and Transport	51 401 000	-	51 401 000	-	3 019 376	54 420 376	62 059 831	7 639 455	7 639 455	114.04	120.74
Environmental Protection	25 000	-	25 000	-	(25 000)	-	-	-	-	0.00	0.00
Electricity	24 628 850	-	24 628 850	-	(1 841 961)	22 786 889	5 723 143	-	(17 063 746)	25.12	23.24
Water	219 462 025	-	219 462 025	-	143 878 708	363 340 733	349 848 482	-	(13 492 251)	96.29	159.41
Waste Water Management	66 418 975	-	66 418 975	-	(4 433 489)	61 985 486	61 940 970	-	(44 516)	99.93	93.26
Waste Management	6 208 500	-	6 208 500	-	(4 715 000)	1 493 500	(1 061 165)	-	(2 554 665)	0.00	0.00
Other	255 000	-	255 000	-	-	255 000	80 664	-	(174 336)	31.63	31.63
<b>Total Capital Expenditure</b>	<b>409 888 680</b>	<b>-</b>	<b>409 888 680</b>	<b>-</b>	<b>139 033 651</b>	<b>548 922 331</b>	<b>514 354 550</b>	<b>7 639 455</b>	<b>(34 567 781)</b>	<b>93.70</b>	<b>125.49</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council: Savings realised on capital items budgeted for and not procured.											
Budget and Treasury Office: Savings realised on capital items budgeted for and not procured - Budget rolled over to 2016/17 for procurement of printers.											
Corporate Services: Savings realised on capital items budgeted for and not procured - Budget rolled over to 2016/17 for completion of new office extensions.											
Community and Social Services: Savings realised on capital items budgeted for and not procured.											
Sport and Recreation: Projects not finalised - Budget rolled over to 2016/17 for completion in ther next financial year.											
Public Safety: Savings realised on capital items budgeted for and not procured.											
Planning and Development: Negligent amount.											
Roads and Transport: Expenditure rolled over from the previous financial year.											
Electricity: Projects not finalised - Budget rolled over to 2016/17 for completion in the next financial year. Electrification of villages under operational budget.											
Waste Management: Projects not finalised - Budget rolled over to 2016/17 for completion in the next financial year.											
Other: Negligent amount.											

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	54 402 557	-	54 402 557	-	-	54 402 557	42 300 749	-	(12 101 808)	77.76	77.76
Grants	667 878 563	-	667 878 563	-	-	667 878 563	825 834 248	157 955 685	157 955 685	123.65	123.65
Public Contributions and Donations	-	-	-	-	-	-	1 757 804	1 757 804	1 757 804	0.00	0.00
Service Charges	305 468 831	-	305 468 831	-	-	305 468 831	215 624 281	-	(89 844 550)	70.59	70.59
Interest Received	29 029 801	-	29 029 801	-	-	29 029 801	38 981 810	9 952 009	9 952 009	134.28	134.28
Other Receipts	15 273 653	-	15 273 653	-	-	15 273 653	29 912 955	14 639 302	14 639 302	195.85	195.85
Employee Related Costs	-	-	-	-	-	-	(211 044 845)	-	(211 044 845)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(19 703 859)	-	(19 703 859)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(271 023)	-	(271 023)	0.00	0.00
Suppliers Paid	(631 514 235)	-	(631 514 235)	-	-	(631 514 235)	(277 154 001)	354 360 234	354 360 234	0.00	0.00
Other Payments	(26 873 988)	-	(26 873 988)	-	-	(26 873 988)	(108 556 368)	-	(81 682 380)	0.00	0.00
VAT Receivable / Payable	-	-	-	-	-	-	(54 907 254)	-	(54 907 254)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(409 888 680)	-	(409 888 680)	-	-	(409 888 680)	(514 354 550)	-	(104 465 870)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	10 193 000	-	10 193 000	-	-	10 193 000	31 981 893	21 788 893	21 788 893	313.76	313.76
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	503 646	503 646	503 646	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>13 969 502</b>	<b>-</b>	<b>13 969 502</b>	<b>-</b>	<b>-</b>	<b>13 969 502</b>	<b>905 485</b>	<b>560 957 571</b>	<b>(13 064 017)</b>	<b>6.48</b>	<b>6.48</b>

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

Overbudget for Property Rates, due to poor collection rate.

Grants

Projects from 2014/15 roll-overs included.

Public Contributions and Donations

Budget not aligned to GRAP requirements - Public Donations included in Grants above.

Service Charges

Overbudget for Service Charges, due to poor collection rate.

Interest Received

Interest Earned exceeded the budgetary expectations due to unspent grants invested and interest on outstanding debt under-budgeted for.

Other Receipts

Not all Other Receipts were taken into consideration in the budgeted amount.

Employee Related Costs

NT Budget Template not aligned to GRAP requirements - Employee Costs included in Suppliers Paid below.

Remuneration of Councillors

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Interest Paid

It was not budgeted for Interest and Penalties on late payments made.

Suppliers Paid

NT Budget Template not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Other Payments

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Property, Plant and Equipment:

Purchase of Property, Plant and Equipment from roll overs from 2014/15 increased the actual outcome.

Proceeds on Disposal of Property, Plant and Equipment:

Proceeds on Disposal of Land not budgeted for.

Profit on Sale of Land:

Land sales exceeded budgetary expectations.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for the change in Long-term Receivables.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2016/17		2015/16
	R		R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>(116 907 938)</b>		<b>377 898 023</b>
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	3 149 391		942 578
Fines	4 133 718		(1 348 405)
Licences and Permits	(6 940)		(3 319)
Revenue for Agency Services	(138 252)		280 420
Government Grants and Subsidies Received	20 762 031		(52 217 091)
Public Contributions and Donations	-		(1 300)
<b>Revenue from Exchange Transactions</b>			
Service Charges	48 427 662		12 973 570
Rental of Facilities and Equipment	(675 773)		508 670
Interest Earned - External Investments	2 542 242		(11 710 323)
Interest Earned - Outstanding Debtors	(7 718 529)		(13 428 888)
Operational Revenue	(8 977 753)		(1 162 427)
Gains on Disposal of Property, Plant and Equipment	-		-
Profit on Sale of Land	27 975 808		(1 488 893)
<b>Expenditure</b>			
Employee Related Costs	(33 867 649)		(31 123 255)
Remuneration of Councillors	(1 557 669)		228 142
Collection Costs	(289 040)		(121 852)
Depreciation and Amortisation	279 686 821		7 748 973
Impairment Losses	(6 766 965)		31 472 825
Repairs and Maintenance	(5 509 057)		(22 596 526)
Finance Costs	223 917		271 023
Bulk Purchases	(34 263)		(39 903)
Contracted Services	(33 498 290)		(96 173)
Grants and Subsidies Paid	3 367 291		(9 917 133)
Operational Costs	664 510		(9 732 266)
Loss on Disposal of Property, Plant and Equipment	-		364 717
<b>Net surplus/deficit per approved budget</b>	<b>174 985 275</b>		<b>277 701 187</b>

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

#### 1.1 *Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

#### 1.2 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### 1.2.1 **Revenue Recognition**

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.2.2 **Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 13 to the Annual Financial Statements.

#### 1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 5.2 and 6.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The assessment and considerations of useful lives are set out in Accounting Policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### 1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 10. on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Heritage Assets, Intangible Assets and Investment Property are disclosed in Notes 2, 9, 10, 11 and 12 to the Annual Financial Statements, if applicable.

#### 1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 10.2..

#### 1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

### 1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

### 1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

### 1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

### 1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

#### 2.1 *Accumulated Surplus*

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

##### 2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

##### 2.1.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

##### 2.1.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).



## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 2.1.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

### 3. PROPERTY, PLANT AND EQUIPMENT

#### 3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

#### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Community</b>	
	Improvements	5 - 60		Community Facilities	5 - 60
				Recreational Facilities	10 - 50
	<b>Infrastructure</b>			<b>Other</b>	
	Electricity	10 - 60		Computer Equipment	5 - 10
	Railways	30		Emergency Equipment	5 - 10
	Roads and Paving	5 - 80		Furniture and Fittings	5 - 15
	Sanitation	10 - 60		Motor Vehicles	7 - 15
	Sewerage / Solid Waste	5 - 80		Office Equipment	5 - 10
	Water	5 - 100		Plant and Equipment	2 - 15
				Specialist Vehicles	10 - 15
				Other Assets	5 - 20

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

#### 3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### 3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

#### 3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### **3.7 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

#### **4. HERITAGE ASSETS**

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

##### **4.1 Initial Recognition**

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

##### **4.2 Subsequent Measurement**

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

##### **4.3 Derecognition**

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 5. INTANGIBLE ASSETS

#### 5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MScOA).

#### 5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software Purchased	5			

The assets' residual values, estimated useful lives and amortisation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

#### 5.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

## 6. INVESTMENT PROPERTY

#### 6.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MScOA).

#### 6.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 6.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

## 7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

#### 7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### **7.2 Impairment of Non-cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over their estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists, the useful life is changed.

Any change in the useful life is accounted for as Change in Estimate in accordance with GRAP 3 (Accounting Policies, Change in Accounting Estimates and Errors).

Annually the municipality considers whether there is any indication that the initial useful lives of assets need to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed.
- (b) The use of the asset has changed because of the following:
  - (i) The municipality has changed the manner in which the asset is used;
  - (ii) The municipality has changed the utilisation rate of the asset;
  - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
  - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset; and
  - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life.
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

### 9. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

#### Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

### Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

### 9.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 9.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

#### 9.3 Initial and Subsequent Measurement

##### 9.3.1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### Financial Assets measured at Fair Value

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

##### 9.3.2 Financial Liabilities:

###### Financial Liabilities measured at Fair Value

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

###### Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

#### 9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 9.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

#### 9.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### 9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### 9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 10. INVENTORIES

#### 10.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

#### 10.2 Subsequent Measurement

##### 10.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the *FIFO* cost of commodities.

Inventories distributed through a non-exchange transaction and those consumed in the production process of goods to be distributed at no or nominal cost are subsequently measured at the lower of cost and current replacement cost.

##### 10.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

##### 10.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 10.2.4 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## 11. REVENUE RECOGNITION

### 11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

### 11.2 Revenue from Exchange Transactions

#### 11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### 11.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### 11.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

#### 11.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

#### 11.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### 11.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

#### 11.2.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

##### 11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

#### 11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

#### 11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

#### 11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### ***12.1 Provision for Environmental Rehabilitation***

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

### 13. EMPLOYEE BENEFIT LIABILITIES

#### ***13.1 Short-term Employee Benefits***

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.



## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 13.2 *Post-employment Benefits*

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

##### 13.2.1 **Defined Contribution Plans**

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### 13.2.2 **Defined Benefit Plans**

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

##### **Post-retirement Health Care Benefits**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

##### **Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

##### **Provincially-administered Defined Benefit Plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

#### 14. LEASES

##### 14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

##### 14.2 The Municipality as Lessee

###### 14.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### 14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

#### 15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 16. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

#### 17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 18. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 20. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

#### 21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

**Changes in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

**Changes in Accounting Estimates** are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

**Correction of Errors** is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

#### 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

#### 24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

#### 25. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

#### 27. COMPARATIVE INFORMATION

##### ***27.1 Current Year Comparatives***

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### ***27.2 Prior Year Comparatives***

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

##### ***27.3 Budget Information***

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2016 to 30 June 2017.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>2017</b>	<b>2016</b>
<b>R</b>	<b>R</b>

**1. GENERAL INFORMATION**

Mogalakwena Municipality (the municipality) is a local government institution in Mokopane, Limpopo Province, and is one of six local municipalities under the jurisdiction of the Waterberg District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumables	7 802 858	8 642 707
Land	1 125 495	1 131 443
Water - at cost	196 756	196 756
<b>Total Inventories</b>	<b>9 125 109</b>	<b>9 970 906</b>

*Inventory* has been restated to correctly classify amounts for Capital Spare Parts held in Inventory, to be capitalised to PPE. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Obsolete and/or Lost Inventories to the amount of R510 891 (2016: R0) were written off and recognised in Profit and Loss during the period.

The cost of water production for the year amounted to R6,22 per kilolitre (2016: R5,76 per kilolitre).

The cost of Inventories recognised as an expense during the period was R16 456 819 (2016: R11 117 884).

Inventories of R283 583 (2016: R3 735 006) are expected to be utilised only after more than twelve months.

Inventories of R8 653 961 (2016: R2 136 281) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R	
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Service Debtors:	297 767 468	249 470 472	48 296 996
Electricity	66 079 248	41 463 562	24 615 685
Refuse	38 843 058	35 287 254	3 555 804
Sewerage	30 429 756	24 877 203	5 552 553
Water	162 415 407	147 842 453	14 572 953
Other Receivables	141 945 943	125 024 393	16 921 550
Accruals:	40 666 635	-	40 666 635
Interest on Investments	177 426	-	177 426
VAT - Consumer Debtors	40 489 209	-	40 489 209
Total Receivables from Exchange Transactions	480 380 046	374 494 865	105 885 181
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Service Debtors:	269 351 453	222 175 992	47 175 461
Electricity	68 112 450	41 566 855	26 545 595
Refuse	33 845 553	30 693 770	3 151 783
Sewerage	26 406 673	21 342 188	5 064 484
Water	140 986 776	128 573 178	12 413 598
Other Receivables	141 809 181	124 772 654	17 036 528
Accruals:	38 891 804	-	38 891 804
Interest on Investments	2 338 335	-	2 338 335
VAT - Consumer Debtors	36 553 469	-	36 553 469
Total Receivables from Exchange Transactions	450 052 438	346 948 646	103 103 792

Included in Service Debtors is an amount of R10 393 452 (2016: R9 793 941) in respect of the consumption of metered services not billed as at 30 June.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2017, the municipality is owed R72 160 509 (30 June 2016: R67 802 401) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2017**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	23 126 526	8 688 715	4 005 558	30 258 448	66 079 248
Less: Provision for Impairment	513 635	8 010 669	3 606 497	29 332 761	41 463 562
<b>Net Balances</b>	<b>22 612 891</b>	<b>678 046</b>	<b>399 061</b>	<b>925 687</b>	<b>24 615 685</b>
<b>Refuse:</b>					
Gross Balances	1 002 739	813 575	649 784	36 376 961	38 843 058
Less: Provision for Impairment	186 134	768 730	610 098	33 722 292	35 287 254
<b>Net Balances</b>	<b>816 605</b>	<b>44 845</b>	<b>39 686</b>	<b>2 654 669</b>	<b>3 555 804</b>
<b>Sewerage:</b>					
Gross Balances	863 732	812 556	583 920	28 169 548	30 429 756
Less: Provision for Impairment	134 444	749 527	522 981	23 470 250	24 877 203
<b>Net Balances</b>	<b>729 287</b>	<b>63 029</b>	<b>60 939</b>	<b>4 699 298</b>	<b>5 552 553</b>
<b>Water:</b>					
Gross Balances	11 870 333	8 184 684	6 293 983	136 066 406	162 415 407
Less: Provision for Impairment	1 680 690	7 852 257	6 031 776	132 277 731	147 842 453
<b>Net Balances</b>	<b>10 189 643</b>	<b>332 428</b>	<b>262 207</b>	<b>3 788 675</b>	<b>14 572 953</b>
<b>Other Receivables:</b>					
Gross Balances	2 671 339	2 740 213	2 473 589	134 060 803	141 945 943
Less: Provision for Impairment	697 226	2 427 224	2 173 755	119 726 188	125 024 393
<b>Net Balances</b>	<b>1 974 113</b>	<b>312 989</b>	<b>299 834</b>	<b>14 334 615</b>	<b>16 921 550</b>
<b>Accruals - Interest on Investments:</b>					
Gross Balances	177 426	-	-	-	177 426
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>177 426</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177 426</b>
<b>Accruals - VAT on Consumer Debtors:</b>					
Gross Balances	3 716 698	2 621 567	1 616 035	32 534 909	40 489 209
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>3 716 698</b>	<b>2 621 567</b>	<b>1 616 035</b>	<b>32 534 909</b>	<b>40 489 209</b>
As at 30 June Receivables of R65 668 518 were past due but not impaired. The age analysis of these Receivables are as follows:					
	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>					
Gross Balances	43 428 792	23 861 309	15 622 870	397 467 075	436 951 253
Less: Provision for Impairment	3 212 129	19 808 407	12 945 107	338 529 222	371 282 736
<b>Net Balances</b>	<b>40 216 663</b>	<b>4 052 903</b>	<b>2 677 762</b>	<b>58 937 853</b>	<b>65 668 518</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

				2017 R	2016 R
<b>As at 30 June 2016</b>					
	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	25 501 821	9 057 904	7 531 872	26 020 853	68 112 450
Less: Provision for Impairment	1 490 554	8 440 102	7 111 363	24 524 836	41 566 855
<b>Net Balances</b>	<b>24 011 267</b>	<b>617 802</b>	<b>420 509</b>	<b>1 496 017</b>	<b>26 545 595</b>
<b>Refuse:</b>					
Gross Balances	922 747	790 227	675 136	31 457 442	33 845 553
Less: Provision for Impairment	230 035	745 008	630 039	29 088 689	30 693 770
<b>Net Balances</b>	<b>692 713</b>	<b>45 219</b>	<b>45 098</b>	<b>2 368 754</b>	<b>3 151 783</b>
<b>Sewerage:</b>					
Gross Balances	980 113	795 180	611 669	24 019 711	26 406 673
Less: Provision for Impairment	187 767	735 321	552 279	19 866 821	21 342 188
<b>Net Balances</b>	<b>792 346</b>	<b>59 859</b>	<b>59 390</b>	<b>4 152 890</b>	<b>5 064 484</b>
<b>Water:</b>					
Gross Balances	9 205 501	4 050 802	3 659 528	124 070 945	140 986 776
Less: Provision for Impairment	1 813 699	3 600 144	3 328 565	119 830 770	128 573 178
<b>Net Balances</b>	<b>7 391 803</b>	<b>450 658</b>	<b>330 963</b>	<b>4 240 175</b>	<b>12 413 598</b>
<b>Other Receivables:</b>					
Gross Balances	190 530	15 690	2 174 473	139 428 489	141 809 181
Less: Provision for Impairment	52 003	15 690	1 900 295	122 804 667	124 772 654
<b>Net Balances</b>	<b>138 527</b>	<b>-</b>	<b>274 178</b>	<b>16 623 823</b>	<b>17 036 528</b>
<b>Accruals - Interest on Investments:</b>					
Gross Balances	2 338 335	-	-	-	2 338 335
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>2 338 335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 338 335</b>
<b>Accruals - VAT on Consumer Debtors:</b>					
Gross Balances	3 759 420	2 057 931	1 750 468	28 985 650	36 553 469
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>3 759 420</b>	<b>2 057 931</b>	<b>1 750 468</b>	<b>28 985 650</b>	<b>36 553 469</b>
As at 30 June Receivables of R63 979 382 were past due but not impaired. The age analysis of these Receivables are as follows:					
	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>					
Gross Balances	42 898 467	16 767 733	16 403 146	373 983 091	407 153 971
Less: Provision for Impairment	3 774 057	13 536 264	13 522 541	316 115 783	343 174 588
<b>Net Balances</b>	<b>39 124 410</b>	<b>3 231 469</b>	<b>2 880 605</b>	<b>57 867 308</b>	<b>63 979 382</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	30 074 429	10 011 885	3 165 052	177 426
<u>Past Due:</u>				
31 - 60 Days	17 186 809	5 086 196	1 588 305	-
61 - 90 Days	12 652 372	1 802 105	1 168 392	-
+ 90 Days	343 580 619	17 347 218	36 539 237	-
Sub-total	403 494 228	34 247 405	42 460 987	177 426
Less: Provision for Impairment	352 183 212	22 311 653	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>51 311 016</b>	<b>11 935 751</b>	<b>42 460 987</b>	<b>177 426</b>

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2016</b>				
<u>Current:</u>				
0 - 30 days	27 992 396	10 634 278	1 933 459	2 338 335
<u>Past Due:</u>				
31 - 60 Days	10 051 975	5 377 925	1 337 833	-
61 - 90 Days	10 588 973	4 564 203	1 249 970	-
+ 90 Days	319 092 189	18 216 584	36 674 318	-
Sub-total	367 725 532	38 792 991	41 195 580	2 338 335
Less: Provision for Impairment	321 090 434	25 858 212	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>46 635 098</b>	<b>12 934 779</b>	<b>41 195 580</b>	<b>2 338 335</b>

**2017**  
**R**                      **2016**  
**R**

**3.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	346 948 646	279 436 222
Impairment Losses recognised	27 546 219	67 512 423
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>374 494 865</b>	<b>346 948 646</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>3.4 Ageing of impaired Receivables from Exchange Transactions</b>		
<u>Current:</u>		
0 - 30 Days	3 212 129	3 774 057
<u>Past Due:</u>		
31 - 60 Days	19 808 407	13 536 264
61 - 90 Days	12 945 107	13 522 541
+ 90 Days	338 529 222	316 115 783
<b>Total</b>	<b>374 494 865</b>	<b>346 948 646</b>

**3.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Assessment Rates Debtors	90 846 345	57 381 335	33 465 010
Sundry Deposits	1 830 215	-	1 830 215
Sundry Debtors	6 609 240	1 967 555	4 641 685
Suspense Accounts	11 058 416	-	11 058 416
<b>Total Receivables from Non-exchange Transactions</b>	<b>110 344 216</b>	<b>59 348 890</b>	<b>50 995 326</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2016</b>			
Assessment Rates Debtors	79 883 696	49 937 346	29 946 350
Sundry Deposits	1 524 395	-	1 524 395
Sundry Debtors	4 437 707	3 011 400	1 426 307
Suspense Accounts	6 896 200	-	6 896 200
<b>Total Receivables from Non-exchange Transactions</b>	<b>92 741 997</b>	<b>52 948 746</b>	<b>39 793 251</b>

*Receivables from Non-exchange Transactions* have been restated to correctly disclose the amount for Suspense Accounts for bank errors, incurred in a financial period prior to 2014/15 and not recognised. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

**Sundry Deposits** are in respect of cash deposits made to Eskom for the supply of electricity.

**Sundry Debtors** are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2017**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Assessment Rates:</b>					
Gross Balances	4 610 583	3 339 626	2 147 353	80 748 782	90 846 345
Less: Provision for Impairment	456 637	2 951 288	1 765 172	52 208 239	57 381 335
<b>Net Balances</b>	<b>4 153 947</b>	<b>388 339</b>	<b>382 180</b>	<b>28 540 544</b>	<b>33 465 010</b>
<b>Sundry Deposits:</b>					
Gross Balances	1 830 215	-	-	-	1 830 215
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>1 830 215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 830 215</b>
<b>Sundry Debtors:</b>					
Gross Balances	6 609 240	-	-	-	6 609 240
Less: Provision for Impairment	1 967 555	-	-	-	1 967 555
<b>Net Balances</b>	<b>4 641 685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 641 685</b>
<b>Suspense Accounts:</b>					
Gross Balances	11 058 416	-	-	-	11 058 416
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>11 058 416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 058 416</b>

As at 30 June Receivables of R29 311 063 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	3 339 626	2 147 353	80 748 782	86 235 762
Less: Provision for Impairment	2 951 288	1 765 172	52 208 239	56 924 699
<b>Net Balances</b>	<b>388 339</b>	<b>382 180</b>	<b>28 540 544</b>	<b>29 311 063</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

				2017 R	2016 R
<b>As at 30 June 2016</b>					
	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Assessment Rates:</b>					
Gross Balances	4 264 614	3 349 295	2 269 452	70 000 334	79 883 696
Less: Provision for Impairment	534 742	2 959 182	1 881 071	44 562 352	49 937 346
<b>Net Balances</b>	<b>3 729 872</b>	<b>390 113</b>	<b>388 382</b>	<b>25 437 982</b>	<b>29 946 350</b>
<b>Sundry Deposits:</b>					
Gross Balances	1 524 395	-	-	-	1 524 395
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>1 524 395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 524 395</b>
<b>Sundry Debtors:</b>					
Gross Balances	4 437 707	-	-	-	4 437 707
Less: Provision for Impairment	3 011 400	-	-	-	3 011 400
<b>Net Balances</b>	<b>1 426 307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 426 307</b>
<b>Suspense Accounts:</b>					
Gross Balances	6 896 200	-	-	-	6 896 200
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>6 896 200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 896 200</b>

As at 30 June Receivables of R26 216 477 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	3 349 295	2 269 452	70 000 334	75 619 081
Less: Provision for Impairment	2 959 182	1 881 071	44 562 352	49 402 604
<b>Net Balances</b>	<b>390 113</b>	<b>388 382</b>	<b>25 437 982</b>	<b>26 216 477</b>

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	2 944 721	1 277 402	388 460	-
<u>Past Due:</u>				
31 - 60 Days	2 082 022	869 266	388 339	-
61 - 90 Days	1 382 687	382 485	382 180	-
+ 90 Days	49 622 919	2 585 320	28 540 544	-
Sub-total	56 032 350	5 114 472	29 699 523	-
Less: Provision for Impairment	53 435 349	3 945 987	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2 597 001</b>	<b>1 168 486</b>	<b>29 699 523</b>	<b>-</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

			2017 R	2016 R
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2016</b>				
<u>Current:</u>				
0 - 30 days	2 663 666	1 210 604	390 344	-
<u>Past Due:</u>				
31 - 60 Days	2 061 193	897 989	390 113	-
61 - 90 Days	1 546 098	334 972	388 382	-
+ 90 Days	41 842 430	2 719 922	25 437 982	-
Sub-total	48 113 387	5 163 488	26 606 821	-
Less: Provision for Impairment	45 887 757	4 049 589	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2 225 630</b>	<b>1 113 898</b>	<b>26 606 821</b>	<b>-</b>

	2017 R	2016 R
<b>4.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	52 948 746	45 771 479
Impairment Losses recognised	9 411 544	11 908 792
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(3 011 400)	(4 731 525)
<b>Balance at end of year</b>	<b>59 348 890</b>	<b>52 948 746</b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

## 5. VAT RECEIVABLE

Vat Receivable	<b>113 472 281</b>	<b>42 788 643</b>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	203 805 730	505 471 835
Bank Accounts	13 593 030	19 946 403
Cash and Cash Equivalents	26 906	24 406
<b>Total Bank, Cash and Cash Equivalents</b>	<b>217 425 666</b>	<b>525 442 644</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**6.1 Current Investment Deposits**

Call Deposits	53 805 730	10 471 835
Notice Deposits	150 000 000	495 000 000
<b>Total Current Investment Deposits</b>	<b>203 805 730</b>	<b>505 471 835</b>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 5,20 % to 5,45 % (2015: 5,45% to 6,50%) per annum.

**Notice Deposits** are investments with a maturity period of less than 12 months and earn interest rates varying from 6,25 % to 7,80 % (2015: 5,90 % to 6,38 %) per annum.

Deposits attributable to Unspent Conditional Grants	63 950 319	58 968 316
Deposits attributable to Capital Replacement Reserve.	139 855 411	327 793 110
Deposits attributable to Creditors	-	118 710 409
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>203 805 730</b>	<b>505 471 835</b>

**6.2 Bank Accounts**

Cash in Bank	13 593 030	19 946 403
<b>Total Bank Accounts</b>	<b>13 593 030</b>	<b>19 946 403</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*Standard Bank - Mokopane Branch, Mokopane - Account Number 031 264 344:*

Cash book balance at beginning of year	19 946 403	15 280 571
Cash book balance at end of year	13 593 030	19 946 403
Bank statement balance at beginning of year	23 255 078	28 064 541
Bank statement balance at end of year	13 928 029	23 255 078

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**6.3 Cash and Cash Equivalents**

Cash Floats and Advances	26 906	24 406
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>26 906</b>	<b>24 406</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**7. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	90 327	90 572
Operating Lease Revenue recorded	187 419	259 987
Operating Lease Revenue effected	(191 695)	(260 232)
<b>Total Operating Lease Receivables</b>	<b>86 051</b>	<b>90 327</b>

*Operating Lease Receivables* have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register, contracts not previously recognised. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 78 (2016: 1 to 79) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R772 393 (2016: R153 731).

**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	89 379	191 695
2 to 5 years	381 603	405 758
More than 5 years	197 634	262 858
<b>Total Operating Lease Arrangements</b>	<b>668 616</b>	<b>860 311</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R4 276 (2016: decrease of R245) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**8. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Debtors Capitalised Loans	5 244 071	1 499 136
Sale of Stand Loans	866 425	762 078
Study Cost Loans	43 380	43 380
<b>Total Current Portion of Long-term Receivables</b>	<b>6 153 876</b>	<b>2 304 594</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**10 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2017**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>	<b>2 507 123 541</b>	<b>67 978 918</b>	<b>3 340 498 671</b>	<b>196 592 742</b>	<b>52 919 015</b>	<b>-</b>	<b>6 165 112 887</b>
Cost	2 507 123 541	94 309 571	4 666 794 773	302 034 059	122 525 664	-	7 692 787 607
- Completed Assets	2 507 123 541	81 072 652	4 014 025 001	274 122 927	122 525 664	-	6 998 869 785
- Under Construction	-	13 236 919	652 769 772	27 911 131	0	-	693 917 823
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	0	-	0
Accumulated Depreciation:	-	(26 330 652)	(1 326 296 102)	(105 441 316)	(69 606 649)	-	(1 527 674 720)
- Cost	-	(26 330 652)	(1 326 296 102)	(105 441 316)	(69 606 649)	-	(1 527 674 720)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	-	25 465 697	798 541	8 832 126	-	35 096 364
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	4 501 108	10 473 445	375 428 795	24 097 682	-	-	414 501 031
- Cost	4 501 108	10 473 445	375 428 795	24 097 682	-	-	414 501 031
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(12 565 364)	(255 303 564)	(61 774 928)	(11 122 752)	-	(340 766 608)
- Based on Cost	-	(12 565 364)	(255 303 564)	(61 774 928)	(11 122 752)	-	(340 766 608)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	(11 972 000)	-	-	-	-	-	(11 972 000)
- Cost	(11 972 000)	-	-	-	-	-	(11 972 000)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	(53 838 681)	(8 923 574)	-	-	(62 762 255)
Other Movements	-	-	60 356 361	8 923 574	-	-	69 279 935
- Cost	-	-	60 356 361	8 923 574	-	-	69 279 935
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2017</b>	<b>2 499 652 650</b>	<b>65 886 999</b>	<b>3 492 607 279</b>	<b>159 714 038</b>	<b>50 628 389</b>	<b>-</b>	<b>6 268 489 354</b>
Cost	2 499 652 650	104 783 016	5 074 206 945	326 930 282	131 357 790	-	8 136 930 682
- Completed Assets	2 495 151 541	81 072 652	4 099 847 059	283 845 043	131 357 790	-	7 091 274 084
- Under Construction	4 501 108	23 710 364	974 359 886	43 085 239	0	-	1 045 656 598
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	0	-	0
Accumulated Depreciation:	-	(38 896 017)	(1 581 599 666)	(167 216 244)	(80 729 401)	-	(1 868 441 328)
- Cost	-	(38 896 017)	(1 581 599 666)	(167 216 244)	(80 729 401)	-	(1 868 441 328)
- Revaluation	-	-	-	-	-	-	-

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**10 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2016**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>2 507 423 541</b>	<b>57 570 412</b>	<b>2 940 795 005</b>	<b>179 537 237</b>	<b>50 211 637</b>	-	<b>5 735 537 833</b>
Cost	2 507 423 541	82 959 907	4 199 793 641	278 737 421	110 137 587	-	7 179 052 098
- Completed Assets	2 507 423 541	81 070 284	3 787 314 870	274 042 264	110 137 587	-	6 759 988 546
- Under Construction	-	1 889 623	412 478 771	4 695 158	0	-	419 063 552
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	0	-	0
Accumulated Depreciation:	-	(25 389 495)	(1 258 998 636)	(99 200 184)	(59 925 951)	-	(1 443 514 266)
- Cost	-	(25 389 495)	(1 258 998 636)	(99 200 184)	(59 925 951)	-	(1 443 514 266)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	-	2 359 015	-	13 155 903	-	15 514 917
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	11 349 664	464 193 331	23 296 637	-	-	498 839 632
- Cost	-	11 349 664	464 193 331	23 296 637	-	-	498 839 632
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(941 158)	(67 297 466)	(6 241 132)	(10 083 807)	-	(84 563 563)
- Based on Cost	-	(941 158)	(67 297 466)	(6 241 132)	(10 083 807)	-	(84 563 563)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	(300 000)	-	-	-	(364 717)	-	(664 717)
- Cost	(300 000)	-	-	-	(767 826)	-	(1 067 826)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	403 109	-	403 109
- Based on Cost	-	-	-	-	403 109	-	403 109
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(2 368)	(223 902 330)	(80 664)	-	-	(223 985 362)
Other Movements	-	2 368	224 351 116	80 664	-	-	224 434 147
- Cost	-	2 368	224 351 116	80 664	-	-	224 434 147
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2016</b>	<b>2 507 123 541</b>	<b>67 978 918</b>	<b>3 340 498 671</b>	<b>196 592 742</b>	<b>52 919 015</b>	-	<b>6 165 112 887</b>
Cost	2 507 123 541	94 309 571	4 666 794 773	302 034 059	122 525 664	-	7 692 787 607
- Completed Assets	2 507 123 541	81 072 652	4 014 025 001	274 122 927	122 525 664	-	6 998 869 785
- Under Construction	-	13 236 919	652 769 772	27 911 131	0	-	693 917 823
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	0	-	0
Accumulated Depreciation:	-	(26 330 652)	(1 326 296 102)	(105 441 316)	(69 606 649)	-	(1 527 674 720)
- Cost	-	(26 330 652)	(1 326 296 102)	(105 441 316)	(69 606 649)	-	(1 527 674 720)
- Revaluation	-	-	-	-	-	-	-

*Property, Plant and Equipment* have been restated to correctly classify amounts for Capital Spare Parts held in Inventory, to be capitalised to PPE. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose the correct amount for Capital Assets in terms of the new Asset Register prepared. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment include the transfer of Major Spare Parts to the amount of R6 517 680 (2016: R448 786) and Work-in-Progress of R62 762 255 (2016: R223 985 362) completed and transferred to Cost.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**10.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use**

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

**10.2 Assets pledged as security**

The municipality did not pledge any of its assets as security.

**10.3 Impairment of Property, Plant and Equipment**

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

**10.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed**

There was no change (2015/16: R0) in the estimated useful life of various assets of the municipality for the financial year.

**10.5 Land and Buildings carried at Fair Value**

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

**10.6 Work-in-Progress**

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Land	4 501 108	-
Buildings	23 710 364	13 236 919
Infrastructure: Electricity	15 756 436	9 266 833
Infrastructure: Roads	42 934 691	18 558 843
Infrastructure: Sewerage	194 597 432	109 148 360
Infrastructure: Water	721 071 328	515 795 736
Community Assets: Sports Facilities	43 085 239	27 911 131
<b>Total Carrying Amounts of Work-in-Progress</b>	<b>1 045 656 598</b>	<b>693 917 823</b>

**10.7 Delayed Projects**

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted. The carrying amount of those assets included in the balance of Property, Plant and Equipment are listed below:

<b>Project Details</b>	<b>Delayed or Halted</b>		
<i>Infrastructure:</i>			
Skimming <b>Reason:</b> Delays experienced due to Mining Strike, Community Strike and Community Disruptions.	Delayed	12 484 164	12 484 164
Contract 06 - 2014/15: Seema Cluster Storage Tanks and Chambers B <b>Reason:</b> Delays experienced due to Late Access to the construction site, Inclement Weather, Strikes and Laboratory Testing of Works.	Delayed	9 764 113	9 764 113
Contract 09 - 2015/2016: Integrated Water Supply System, Mogalakwena Area, Link pipeline High Reservoir to Piet-se-Kop Reservoir <b>Reason:</b> Delays experienced due to Late Access to the construction site, Inclement Weather, Strikes and Laboratory Testing of Works.	Delayed	84 387 235	84 387 235
Project 1: Construction of 10 Megaliter WWTW <b>Reason:</b> Delays experienced on Design of Sludge, suspension of work, strike on-site and community unrest.	Delayed	295 352 786	-
Project 2: Integrated Water Supply System, Mogalakwena Municipal Area <b>Reason:</b> Delays experienced due to disruptions of works, Heavy Rains, Exceptional hard rock dicovered during Excavation.	Delayed	10 049 479	-
Project 3: Integrated Water Supply System, Seema Cluster Pipelines <b>Reason:</b> Delays experienced due to Community Strike, Inclement Weather and Labour Strike.	Delayed	8 835 548	-
<b>Total Carrying Amounts of Delayed or Halted Projects</b>		<b>420 873 325</b>	<b>106 635 512</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**10.8 Expenditure incurred to Repair and Maintain**

The following specific costs included in the amount of Repairs and Maintenance disclosed in Note 39 were incurred by municipality during the reporting period:

Electrical Infrastructure:	40 672 115	-
- Contracted Services	28 845 155	-
- Inventory Consumed	4 737 717	-
- Labour	7 089 243	-
- Other Operational Costs	-	-
Roads Infrastructure:	99 238 383	-
- Contracted Services	99 229 203	-
- Inventory Consumed	3 058	-
- Labour	6 122	-
- Other Operational Costs	-	-
Sanitation Infrastructure:	7 075 662	-
- Contracted Services	6 865 126	-
- Inventory Consumed	210 536	-
- Labour	-	-
- Other Operational Costs	-	-
Water Supply Infrastructure:	60 316 132	-
- Contracted Services	51 570 138	-
- Inventory Consumed	8 745 993	-
- Labour	-	-
- Other Operational Costs	-	-
Community Assets:	36 963	-
- Contracted Services	9 606	-
- Inventory Consumed	17 096	-
- Labour	10 262	-
- Other Operational Costs	-	-
Computer Equipment:	36 682	-
- Contracted Services	34 988	-
- Inventory Consumed	1 693	-
- Labour	-	-
- Other Operational Costs	-	-
Furniture and Office Equipment:	590	-
- Contracted Services	-	-
- Inventory Consumed	590	-
- Labour	-	-
- Other Operational Costs	-	-
Libraries:	33 863	-
- Contracted Services	23 323	-
- Inventory Consumed	7 566	-
- Labour	2 974	-
- Other Operational Costs	-	-
Machinery and Equipment:	639 086	-
- Contracted Services	525 646	-
- Inventory Consumed	110 700	-
- Labour	2 740	-
- Other Operational Costs	-	-
Other Assets:	409 795	-
- Contracted Services	243 440	-
- Inventory Consumed	130 264	-
- Labour	36 091	-
- Other Operational Costs	-	-
Transport Assets:	13 627 369	-
- Contracted Services	13 627 369	-
- Inventory Consumed	-	-
- Labour	-	-
- Other Operational Costs	-	-
<b>Total Expenditure incurred to Repair and Maintain</b>	<b>222 086 640</b>	<b>-</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**11 HERITAGE ASSETS**

**30 June 2017**

**Reconciliation of Carrying Value**

Description		Conservation Areas	Cultural Buildings	Historical Sites	Monuments	Other Heritage Assets	Total
		R	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>		-	51	5 736 139	152	-	5 736 342
Cost		-	51	5 736 139	152	-	5 736 342
- Completed Assets		-	51	5 736 139	152	-	5 736 342
- Under Construction		-	-	-	-	-	-
Accumulated Impairment Losses		-	-	-	-	-	-
Acquisitions		-	-	-	-	-	-
Impairment Losses		-	-	-	-	-	-
<b>Carrying values at 30 June 2017</b>		-	51	5 736 139	152	-	5 736 342
Cost		-	51	5 736 139	152	-	5 736 342
- Completed Assets		-	51	5 736 139	152	-	5 736 342
- Under Construction		-	-	-	-	-	-
Accumulated Impairment Losses		-	-	-	-	-	-

**30 June 2016**

**Reconciliation of Carrying Value**

Description		Conservation Areas	Cultural Buildings	Historical Sites	Monuments	Other Heritage Assets	Total
			R	R	R	R	R
<b>Carrying values at 01 July 2015</b>		-	51	5 736 139	152	-	5 736 342
Cost		-	51	5 736 139	152	-	5 736 342
- Completed Assets		-	51	5 736 139	152	-	5 736 342
- Under Construction		-	-	-	-	-	-
Accumulated Impairment Losses		-	-	-	-	-	-
Acquisitions		-	-	-	-	-	-
Impairment Losses		-	-	-	-	-	-
<b>Carrying values at 30 June 2016</b>		-	51	5 736 139	152	-	5 736 342
Cost		-	51	5 736 139	152	-	5 736 342
- Completed Assets		-	51	5 736 139	152	-	5 736 342
- Under Construction		-	-	-	-	-	-
Accumulated Impairment Losses		-	-	-	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

**11.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**11.2 Heritage Assets measured after recognition using the Revaluation Model**

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

**11.3 Work-in-Progress**

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

**11.4 Delayed Projects**

No projects that are currently in progress are experiencing significant delays or were halted.

**11.5 Expenditure incurred to Repair and Maintain**

No specific costs included in the amount of Repairs and Maintenance disclosed in Note 39 were incurred by municipality during the reporting period on Heritage Assets.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>11 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>1 985 093</b>	<b>1 780 828</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2016</b>	<b>1 780 828</b>	<b>1 780 828</b>
Cost	6 938 095	6 938 095
Accumulated Amortisation	(5 157 268)	(5 157 268)
Acquisitions:	677 104	677 104
Purchased	677 104	677 104
Amortisation:	(472 839)	(472 839)
Purchased	(472 839)	(472 839)
<b>Carrying values at 30 June 2017</b>	<b>1 985 093</b>	<b>1 985 093</b>
Cost	7 615 200	7 615 200
Accumulated Amortisation	(5 630 107)	(5 630 107)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2015</b>	<b>2 227 206</b>	<b>2 227 206</b>
Cost	6 938 095	6 938 095
Accumulated Amortisation	(4 710 889)	(4 710 889)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(446 378)	(446 378)
Purchased	(446 378)	(446 378)
<b>Carrying values at 30 June 2016</b>	<b>1 780 828</b>	<b>1 780 828</b>
Cost	6 938 095	6 938 095
Accumulated Amortisation	(5 157 268)	(5 157 268)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 37).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

#### **11.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

#### **11.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**11.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**11.4 Work-in-Progress**

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

**11.5 Delayed Projects**

No projects that are currently in progress are experiencing significant delays or were halted.

**11.6 Expenditure incurred to Repair and Maintain**

No specific costs included in the amount of Repairs and Maintenance disclosed in Note 39 were incurred by municipality during the reporting period on Intangible Assets.

**12 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation

**35 359 425**

**35 662 945**

The movement in Investment Property is reconciled as follows:

**Carrying values at 1 July**

**35 662 945**

**35 750 829**

Cost

41 312 319

41 312 319

Accumulated Depreciation

(5 649 374)

(5 561 490)

Acquisitions during the Year

-

-

Depreciation during the Year

(303 520)

(87 884)

**Carrying values at 30 June**

**35 359 425**

**35 662 945**

Cost

41 312 319

41 312 319

Accumulated Depreciation

(5 952 894)

(5 649 374)

**Estimated Fair Value of Investment Property at 30 June**

**34 782 233**

**34 782 233**

*Investment Property* has been restated to disclose the correct amount for Capital Assets in terms of the new Asset Register prepared. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

772 393

153 731

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**12.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**12.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**12.3 Work-in-Progress**

The municipality had no capital projects for Investment Property which were not completed at year-end.

**12.4 Delayed Projects**

No projects that are currently in progress are experiencing significant delays or were halted.

**12.5 Expenditure incurred to Repair and Maintain**

No specific costs included in the amount of Repairs and Maintenance disclosed in Note 39 were incurred by municipality during the reporting period on Investment Property.

**13 LONG-TERM RECEIVABLES**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2017</b>			
Debtors Capitalised Loans	6 697 386	371 259	6 326 127
Sale of Stand Loans	866 425	-	866 425
Study Cost Loans	43 380	-	43 380
	<u>7 607 191</u>	<u>371 259</u>	<u>7 235 932</u>
Less: Current Portion transferred to Current Receivables:-			6 153 876
Debtors Capitalised Loans			5 244 071
Sale of Stand Loans			866 425
Study Cost Loans			43 380
<b>Total Long-term Receivables</b>			<u><b>1 082 056</b></u>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2016</b>			
Debtors Capitalised Loans	1 815 085	95 987	1 719 098
Sale of Stand Loans	762 078	-	762 078
Study Cost Loans	43 380	-	43 380
	<u>2 620 543</u>	<u>95 987</u>	<u>2 524 556</u>
Less: Current Portion transferred to Current Receivables:-			2 304 594
Debtors Capitalised Loans			1 499 136
Sale of Stand Loans			762 078
Study Cost Loans			43 380
<b>Total Long-term Receivables</b>			<u><b>219 962</b></u>

**DEBTORS CAPITALISED**

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 48 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

**SALE OF STANDS**

Stands are sold on a cash/bank guarantee basis. The outstanding loans were repayable in the year 2011/12.

**STUDY COST LOANS**

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of loans granted before 01 July 2005. Beneficiaries were entitled to Study Cost Loans at an interest rate of 5,00% per annum, repayable over a maximum period of 6 years. The balance of the loans are in respect of third parties and are repayable in the year 2011/12.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>13.1 Ageing of Long-term Receivables</b>		
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	7 607 191	2 620 543
<b>Total</b>	<b>7 607 191</b>	<b>2 620 543</b>

As at 30 June Long-term Receivables of R7 607 191 (2016: R2 620 543) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	7 607 191	2 620 543
<b>Total</b>	<b>7 607 191</b>	<b>2 620 543</b>

**13.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	95 987	223 728
Impairment Losses recognised	-	-
Impairment Losses reversed	275 271	(127 741)
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>371 259</b>	<b>95 987</b>

**14 CONSUMER DEPOSITS**

Electricity and Water	21 110 674	20 286 493
<b>Total Consumer Deposits</b>	<b>21 110 674</b>	<b>20 286 493</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>3 063 096</b>	<b>3 198 096</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**15 PROVISIONS**

Performance Bonuses	1 437 197	1 389 654
Storm Water Drainage Claim	300 000	300 000
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	1 818 945	1 741 728
Current Portion of Long-term Service Liability (See Note 20)	1 037 740	1 100 625
Current Portion of Non-Current Provisions (See Note 21):	-	-
Rehabilitation of Land-fill Sites	-	-
<b>Total Provisions</b>	<b>4 593 882</b>	<b>4 532 007</b>

The movement in provisions are reconciled as follows:

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Current Provisions:</b>		
<b>Performance Bonuses:</b>		
Balance at beginning of year	1 389 654	1 097 216
Contributions to provision	47 543	292 438
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>1 437 197</b>	<b>1 389 654</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

**Storm Water Drainage Claim:**

Balance at beginning of year	300 000	300 000
Contributions to provision	-	-
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>300 000</b>	<b>300 000</b>

**Storm Water Drainage Claim** arises from a settlement, at an amount agreed between the two parties, awarded by court for damages to a private home when it was flooded due to poor water drainage. The provision has been determined based on the quotation received from a service provider.

**Current Portion of Non-Current Provisions:**

	Long-term Service R	Post-retirement R
<b>30 June 2017</b>		
Balance at beginning of year	1 100 625	1 741 728
Transfer from non-current	1 037 740	1 818 945
Expenditure incurred	(1 100 625)	(1 741 728)
<b>Balance at end of year</b>	<b>1 037 740</b>	<b>1 818 945</b>
	Long-term Service R	Post-retirement R
<b>30 June 2016</b>		
Balance at beginning of year	1 156 598	1 642 452
Transfer from non-current	1 100 625	1 741 728
Expenditure incurred	(1 156 598)	(1 642 452)
<b>Balance at end of year</b>	<b>1 100 625</b>	<b>1 741 728</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>16 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Creditors	128 806 702	151 277 909
Retentions	88 656 164	74 781 364
Other Creditors	300 000	300 000
<b>Total Payables</b>	<b>217 762 867</b>	<b>226 359 273</b>

*Payables from Exchange Transactions* have been restated to correctly disclose the liability for Survey Costs, previously not accrued for. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Exchange Transactions* have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously over accrued for. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 81 (2016: 127) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**17 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Payments received in Advance	27 251 202	27 498 821
Staff Bonuses	4 360 356	4 722 503
Staff Leave Accrued	24 969 673	24 813 449
Suspense Accounts	3 222 445	602 861
Sundry Deposits	1 156 884	990 922
<b>Total Payables</b>	<b>60 960 561</b>	<b>58 628 555</b>

*Payables from Exchange Transactions* have been restated to correctly disclose the liability for Pre-paid Rentals at Year-end, reversal for prior year accrual previously duplicated. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Exchange Transactions* have been restated to correctly disclose the liability for Pre-paid Electricity not consumed at Year-end, previously incorrectly assessed and accrued. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

**Staff Bonuses** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>18.1 Conditional Grants from Government</b>	<b>63 809 192</b>	<b>58 827 189</b>
National Government Grants	87 781 614	57 892 466
Local Government Grants	(29 156 974)	750 171
Other Spheres of Government	5 184 552	184 552
<b>18.2 Other Conditional Receipts</b>	<b>141 127</b>	<b>141 127</b>
Public Contributions	141 127	141 127
<b>Total Conditional Grants and Receipts</b>	<b>63 950 319</b>	<b>58 968 316</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for the reconciliation of Grants from Government and Note 27 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**19 OPERATING LEASE LIABILITIES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

Balance at beginning of year	-	-
Operating Lease expenses recorded	339 753	297 762
Operating Lease payments effected	(339 753)	(297 762)
<b>Total Operating Lease Liabilities</b>	<b>-</b>	<b>-</b>

**19.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

**19.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

<b>Other Equipment:</b>	578 816	247 281
Up to 1 year	271 520	202 849
2 to 5 years	307 296	44 432
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>578 816</b>	<b>247 281</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	339 753	297 762
<b>Total Operating Lease Expenses</b>	<b>339 753</b>	<b>297 762</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

## **20 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	67 781 796	67 344 358
Long Service Awards Liability	9 976 986	9 248 939
<b>Total Employee Benefit Liabilities</b>	<b>77 758 782</b>	<b>76 593 297</b>

### **20.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	67 344 358	66 268 666
Contributions to Provision	2 256 383	2 817 420
Balance at end of Year	69 600 741	69 086 086
Transfer to Current Provisions	(1 818 945)	(1 741 728)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>67 781 796</b>	<b>67 344 358</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	276	276
In-service Non-members (Employees)	408	411
Continuation Members (Retirees, widowers and orphans)	43	41
<b>Total Members</b>	<b>727</b>	<b>728</b>

The liability in respect of past service has been estimated as follows:

In-service Members	27 172 556	28 819 529
In-service Non-members	18 213 839	20 237 894
Continuation Members	24 214 346	20 028 662
<b>Total Liability</b>	<b>69 600 741</b>	<b>69 086 086</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R			
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:					
- Bonitas					
- Hosmed					
- Keyhealth					
- LA Health					
- Samwumed					
The Current-service Cost for the year ending 30 June 2017 is estimated to be R3 537 354, whereas the cost for the ensuing year is estimated to be R3 433 621 (30 June 2016: R3 487 922 and R3 537 354 respectively).					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	8.84%	9.45%			
Health Care Cost Inflation Rate	7.14%	8.48%			
Net Effective Discount Rate	1.59%	0.89%			
Expected Retirement Age - Females	63	63			
Expected Retirement Age - Males	63	63			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	69 086 086	67 911 118			
Current service costs	3 537 354	3 487 922			
Interest cost	6 448 859	6 093 650			
Benefits paid	(1 741 728)	(1 642 452)			
Actuarial losses / (gains)	(7 729 830)	(6 764 152)			
Total Recognised Benefit Liability	69 600 741	69 086 086			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	69 600 741	69 086 086			
Unfunded Accrued Liability	69 600 741	69 086 086			
Total Benefit Liability	69 600 741	69 086 086			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	3 537 354	3 487 922			
Interest cost	6 448 859	6 093 650			
Actuarial losses / (gains)	(7 729 830)	(6 764 152)			
Total Post-retirement Benefit included in Employee Related Costs (Note 34)	2 256 383	2 817 420			
The history of experienced adjustments is as follows:					
	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	69 600 741	69 086 086	67 911 118	58 758 838	47 959 760
Deficit	69 600 741	69 086 086	67 911 118	58 758 838	47 959 760
Experienced adjustments on Plan Liabilities	1 269 872	(1 189)	2 356 040	41 820	6 739 754

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 986 258	1 946 400
Effect on the defined benefit obligation	12 741 386	5 904 373
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(1 572 577)	(1 583 900)
Effect on the defined benefit obligation	(10 238 583)	(6 860 640)

The municipality expects to make a contribution of R9 505 929 (2016: R9 986 213) to the Defined Benefit Plans during the next financial year.

Refer to Note 55, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**20.2 Long Service Awards Liability**

Balance at beginning of year	9 248 939	8 476 537
Contributions to provision	1 765 787	1 873 027
Balance at end of Year	<u>11 014 726</u>	<u>10 349 564</u>
Transfer to Current Provisions	(1 037 740)	(1 100 625)
<b>Total Long Service Awards Liability</b>	<u><b>9 976 986</b></u>	<u><b>9 248 939</b></u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 684 (2016: 687) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R980 309, whereas the cost for the ensuing year is estimated to be R823 147 (30 June 2016: R932 884 and R980 309 respectively).

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.61%	8.53%
Cost Inflation Rate	6.41%	7.19%
Net Effective Discount Rate	2.07%	1.25%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	10 349 564	9 633 135
Current service costs	980 309	932 884
Interest cost	836 901	725 165
Benefits paid	(1 100 625)	(1 156 598)
Actuarial losses / (gains)	(51 423)	214 978
<b>Total Recognised Benefit Liability</b>	<u><b>11 014 726</b></u>	<u><b>10 349 564</b></u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	11 014 726	10 349 564
Unfunded Accrued Liability	<u>11 014 726</u>	<u>10 349 564</u>
<b>Total Benefit Liability</b>	<b><u>11 014 726</u></b>	<b><u>10 349 564</u></b>

<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	980 309	932 884
Interest cost	836 901	725 165
Actuarial losses / (gains)	(51 423)	214 978
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 34)</b>	<b><u>1 765 787</u></b>	<b><u>1 873 027</u></b>

**The history of experienced adjustments is as follows:**

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
Present Value of Defined Benefit Obligation	11 014 726	10 349 564	9 633 135	8 951 254	8 284 788
<b>Deficit</b>	<b><u>11 014 726</u></b>	<b><u>10 349 564</u></b>	<b><u>9 633 135</u></b>	<b><u>8 951 254</u></b>	<b><u>8 284 788</u></b>
Experienced adjustments on Plan Liabilities	500 679	500 679	368 596	(117 352)	321 056

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	127 211	135 800
Effect on the defined benefit obligation	731 057	674 285
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(114 992)	(121 700)
Effect on the defined benefit obligation	(664 850)	(611 740)

The municipality expects to make a contribution of R1 726 840 (2016: R1 817 210) to the defined benefit plans during the next financial year.

## **21 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Land-fill Sites	11 123 292	11 195 858
<b>Total Non-current Provisions</b>	<b><u>11 123 292</u></b>	<b><u>11 195 858</u></b>

**The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:**

Balance at beginning of year	11 195 858	11 986 000
Contributions to provision	(72 566)	(790 142)
	<u>11 123 292</u>	<u>11 195 858</u>
Transfer to current provisions	-	-
<b>Balance at end of year</b>	<b><u>11 123 292</u></b>	<b><u>11 195 858</u></b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**21.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R13 868 945 (2016: R13 170 888) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its two dumping/landfill sites in the periods 2023/24 and 2024/25. Provision has been made for the net present value of this cost.

	<b>Proposed Rehabilitation</b>		
Mokopane Landfill	2023/24	11 014 357	10 459 978
Rebone Landfill	2024/25	2 854 588	2 710 910
		<b>13 868 945</b>	<b>13 170 888</b>

**22 ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Capital Replacement Reserve (CRR)	193 581 949	327 793 110
Capitalisation Reserve	242 316	362 486
Donations and Public Contributions Reserve	553 536	661 755
Government Grants Reserve	2 292 061 122	2 090 351 643
Accumulated Surplus / (Deficit) due to the results of Operations	3 872 096 461	4 056 274 328
<b>Total Accumulated Surplus</b>	<b>6 358 535 384</b>	<b>6 475 443 322</b>

*Accumulated Surplus* has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 47.1 "Correction of Error" for details of the restatements.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

			2017 R	2016 R
<b>23 PROPERTY RATES</b>				
	<b>Property Valuations</b>		<b>Actual Levies</b>	
	<b>July 2017 R000's</b>	<b>July 2016 R000's (Restated)</b>		
Commercial	1 297 332	1 245 483	20 962 866	19 627 967
Industrial	3 010 845	3 106 580	8 650 701	8 423 636
Municipal	530 176	594 801	-	-
Residential	4 341 471	4 073 481	23 069 784	21 386 564
State	357 458	394 020	726 325	685 688
Consent Use	21 480	17 910	391 283	358 660
Undeveloped	288 855	287 472	6 211 847	5 429 895
Less: Revenue Foregone - Free Basic Services			(394 486)	(452 431)
<b>Total Property Rates</b>	<b>9 847 618</b>	<b>9 719 747</b>	<b>59 618 321</b>	<b>55 459 979</b>

**23.1 Calculation of Cash Flow:**

Property Rates Income	59 618 321	55 459 979
Opening Balance of Debtors: Assessment Rates	79 883 696	66 724 465
Closing Balance of Debtors: Assessment Rates	(90 846 345)	(79 883 696)
<b>Total Receipts for Property Rates</b>	<b>48 655 671</b>	<b>42 300 749</b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1,0147 c/R (2015/16: 0,9573 c/R)

Business Properties: 2,0486 c/R (2015/16: 1,9326 c/R)

Agricultural Properties: 0,2537 c/R (2015/16: 0,2393 c/R)

Welfare Organisations are exempted from the payment of rates, whilst the first R15 000,00 of the valuation on improved residential properties is exempted from the payment of rates.

A rebate of 40,00% (2015/16: 40,00%) was allowed on improved residential properties and flats whilst a discount of 30,00% (2015/16: 30,00%) was granted on properties owned by the State. Welfare organisations are exempted from property rates.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

**24 FINES**

Court Fines	2 171 425	3 162 520
Penalties for Contractors	112 569	-
Other Fines	2 252	1 118
<b>Total Fines</b>	<b>2 286 246</b>	<b>3 163 638</b>

**25 LICENCES AND PERMITS**

Flammable Material Permits	56 684	42 486
Hawkers Licences	28 922	35 045
<b>Total Licences and Permits</b>	<b>85 605</b>	<b>77 531</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>26 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	331 695 000	341 563 000
Other Subsidies	9 915 383	7 174 969
<b>Operational Grants</b>	<u>341 610 383</u>	<u>348 737 969</u>
<b>Conditional Grants</b>	337 044 907	435 031 565
National: EPWP	-	2 150 000
National: FMG	1 624 999	1 600 000
National: MIG	133 132 543	134 411 082
National: DWA - Refurbishment Projects	-	19 108 092
National: DWA - Regional Bulk Infrastructure	154 241 752	269 540 792
National: Energy	17 800 938	7 247 305
National: Neighbourhood Development Partnership	337 529	-
Local Government: Waterberg District Municipality	29 907 145	974 294
<b>Total Government Grants and Subsidies</b>	<u><u>678 655 290</u></u>	<u><u>783 769 534</u></u>
<b>26.1 Calculation of Cash Flow:</b>		
Government Grants and Subsidies Income	678 655 290	783 769 534
Opening Balance of Unspent Government Grants	(58 827 189)	(16 762 475)
Closing Balance of Unspent Government Grants	63 809 192	58 827 189
<b>Total Receipts for Government Grants and Subsidies</b>	<u><u>683 637 293</u></u>	<u><u>825 834 248</u></u>
<b>Operational Grants:</b>		
<b>26.2 National: Equitable Share</b>	<u><u>331 695 000</u></u>	<u><u>341 563 000</u></u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R261 (2016: R246), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
<b>Conditional Grants:</b>		
<b>26.3 National: Equitable Share</b>		
Balance unspent at beginning of year	4 632 227	4 632 227
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>4 632 227</u></u>	<u><u>4 632 227</u></u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.		
<b>26.4 National: EPWP Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	2 150 000
Conditions met - transferred to Revenue: Operating Expenses	-	(2 150 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>-</u></u>	<u><u>-</u></u>

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds have been withheld.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>26.5 National: FMG Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 625 000	1 600 000
Conditions met - transferred to Revenue: Operating Expenses	(1 624 999)	(1 600 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>1</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**26.6 National: MIG Funds**

Balance unspent at beginning of year	8 827 035	3 474 117
Current year receipts	139 486 000	143 238 000
Conditions met - transferred to Revenue: Operating Expenses	(921 620)	(14 614 324)
Conditions met - transferred to Revenue: Capital Expenses	(132 210 924)	(119 796 759)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	(3 474 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>15 180 492</u>	<u>8 827 035</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

**26.7 National: MSIG Funds**

Balance unspent at beginning of year	930 000	-
Current year receipts	-	930 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>930 000</u>	<u>930 000</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**26.8 National: Department Water Affairs (DWA) - Refurbishment Projects**

Balance unspent at beginning of year	891 927	18
Current year receipts	-	20 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(19 108 092)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>891 927</u>	<u>891 927</u>

This grant was used for the refurbishment of water schemes transferred from DWA to the municipality. The allocation for Equitable Shares has been reduced by R0 (2015: R5 000 000) due to non-spending of funds by the municipality.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>26.9 National: Department Water Affairs (DWA) - Regional Bulk Infrastructure Grant</b>		
Balance unspent at beginning of year	36 755 601	3 644 114
Current year receipts	186 915 910	302 652 279
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(154 241 752)	(269 540 792)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>69 429 759</u></u>	<u><u>36 755 601</u></u>

This grant was used for the Olifants River Water Resource project. No funds have been withheld.

**26.10 National: Department Water Affairs (DWA) - Other Capital Projects**

Balance unspent at beginning of year	649 090	649 090
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>649 090</u></u>	<u><u>649 090</u></u>

This grant was received for the replacement of AC Pipes in infrastructure of Mahwelareng. No funds have been withheld.

**26.11 National: Department Energy**

Balance unspent at beginning of year	5 206 586	2 453 891
Current year receipts	9 000 000	10 000 000
Conditions met - transferred to Revenue: Operating Expenses	(17 800 938)	(7 247 305)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>(3 594 352)</u></u>	<u><u>5 206 586</u></u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. The allocation for Equitable Shares has been reduced by R86 000 (2014: R0) due to non-spending of funds by the municipality.

**26.12 National: Neighbourhood Development Partnership**

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(337 529)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>(337 529)</u></u>	<u><u>-</u></u>

Expenses were incurred to promote rural development. No funds have been withheld.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>26.13 Local Government: Waterberg District Municipality</b>		
Balance unspent at beginning of year	750 171	1 724 465
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(29 907 145)	(974 294)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>(29 156 974)</u></u>	<u><u>750 171</u></u>

This grant was allocated to the municipality as a contribution towards electricity distribution in the rural areas. No funds have been withheld.

**26.14 Other Government: Development Bank of South Africa (DBSA)**

Balance unspent at beginning of year	-	-
Current year receipts	5 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>5 000 000</u></u>	<u><u>-</u></u>

This grant was received for the maintenance of roads and water infrastructure. No funds have been withheld.

**26.15 Other Government: National Lottery Fund**

Balance unspent at beginning of year	184 552	184 552
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>184 552</u></u>	<u><u>184 552</u></u>

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

**26.16 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2017), government grant funding is expected to increase over the forthcoming three financial years.

**27 PUBLIC CONTRIBUTIONS AND DONATIONS**

Other Donations	-	1 757 804
<b>Total Public Contributions and Donations</b>	<u><u>-</u></u>	<u><u>1 757 804</u></u>

**27.1 Calculation of Cash Flow:**

Public Contributions and Donations Income	-	1 757 804
Opening Balance of Unspent Public Grants	(141 127)	(141 127)
Closing Balance of Unspent Public Grants	141 127	141 127
<b>Total Receipts for Public Contributions and Donations</b>	<u><u>-</u></u>	<u><u>1 757 804</u></u>

**Reconciliation of Conditional Public Contributions and Donations:**

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>27.2 Contributions from PPL Mine</b>		
Balance unspent at beginning of year	141 127	141 127
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>141 127</u>	<u>141 127</u>

The municipality received funds from PPL Mine for the construction of VIP Toilets. The donation was utilised for this purpose. No funds have been withheld.

**28 SERVICE CHARGES**

Sale of Electricity	222 069 079	212 966 800
Sale of Water	52 567 511	58 101 308
Refuse Removal	13 160 970	12 110 362
Sewerage and Sanitation Charges	16 828 557	14 316 791
<b>Total Service Charges</b>	<u>304 626 117</u>	<u>297 495 261</u>

**28.1 Calculation of Cash Flow:**

Service Charges Income	304 626 117	297 495 261
Opening Balance of Debtors: Service Charges	450 052 438	368 181 458
Closing Balance of Debtors: Service Charges	(480 380 046)	(450 052 438)
<b>Total Receipts for Service Charges</b>	<u>274 298 509</u>	<u>215 624 281</u>

*Service Charges* have been restated to correctly disclose the liability for Pre-paid Electricity not consumed at Year-end, previously incorrectly calculated and accrued. Refer to Note 47.2 on "Correction of Error" for details of the restatement.

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**29 RENTAL OF FACILITIES AND EQUIPMENT**

Rental Revenue from Other Facilities	1 821 148	571 872
<b>Total Rental of Facilities and Equipment</b>	<u>1 821 148</u>	<u>571 872</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>30 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	1 017 546	1 654 162
Investments	30 096 776	37 285 861
	<b>31 114 322</b>	<b>38 940 023</b>
<b>Outstanding Debtors:</b>		
Long-term Debtors	104 347	89 013
Outstanding Billing Debtors	10 582 289	16 139 976
	<b>10 686 636</b>	<b>16 228 989</b>
<b>Total Interest Earned</b>	<b>41 800 957</b>	<b>55 169 012</b>
<b>30.1 Calculation of Cash Flow:</b>		
External Interest Income	31 114 322	38 940 023
Opening Balance of Accrued Interest	2 338 335	2 380 122
Closing Balance of Accrued Interest	(177 426)	(2 338 335)
<b>Total Receipts for Interest Received</b>	<b>33 275 230</b>	<b>38 981 810</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	6 351 441	3 893 815
Held-to-Maturity Investments	24 762 880	35 046 208
Loans and Receivables	10 686 636	16 228 989
	<b>41 800 957</b>	<b>55 169 012</b>
<b>31 INCOME FROM AGENCY SERVICES</b>		
Administration Fees	368 575	340 654
Commission	8 246	12 163
Licence Cards	1 371 562	1 130 945
Motor Licences	4 970 432	4 354 724
Other Agency Income	2 171 019	2 287 303
<b>Total Income from Agency Services</b>	<b>8 889 834</b>	<b>8 125 789</b>
<i>Income from Agency Services</i> has been reclassified to correctly classify revenue previously erroneously classified as " <i>Revenue from Non-exchange Transactions</i> ". Refer to Note 47.2 on "Correction of Error" for details of the restatement.		
<b>32 OPERATIONAL REVENUE</b>		
Building Plan Fees	559 450	747 140
Cemetery Fees	211 825	156 889
Insurance Claims	5 211 136	655 160
Legal Cost Recovered	96 701	16 400
Non-Attendance of Meetings	26 850	7 055
Prints	11 717	10 045
Retentions Forfeited	2 817 272	502 287
Telephone Cost Recovered	88 334	51 905
Tender Documents	507 827	494 831
Town Planning Fees	37 692	-
Sundry Income	4 735 859	1 329 599
<b>Total Operational Revenue</b>	<b>14 304 662</b>	<b>3 971 309</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>32.1 Calculation of Cash Flow:</b>			
Income from Operational Revenue	Note 32	14 304 662	3 971 309
Income from Interest on Outstanding Debtors	Note 30	10 686 636	16 228 989
Income from Rental of Facilities and Equipment	Note 29	1 821 148	571 872
Income from Agency Services	Note 31	8 889 834	8 125 789
Income from Licences and Permits	Note 25	85 605	77 531
Income from Fines	Note 24	2 286 246	3 163 638
Opening Balance of Debtors: Non-exchange Transactions	Note 4	92 741 997	80 372 463
Opening Balance of Debtors: Assessment Rates	Note 4	(79 883 696)	(66 724 465)
Opening Balance of Accrued Interest	Note 4	(2 338 335)	(2 380 122)
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(110 344 216)	(92 741 997)
Closing Balance of Debtors: Assessment Rates	Note 4	90 846 345	79 883 696
Closing Balance of Accrued Interest	Note 4	177 426	2 338 335
Amounts written-off as uncollectable	Note 4	(3 011 400)	(4 731 525)
Opening Balance of Operating Lease Receivables	Note 7	90 327	90 572
Closing Balance of Operating Lease Receivables	Note 7	(86 051)	(90 327)
Opening Balance of Current Portion of Long-term Receivables	Note 8	2 304 594	3 840 797
Closing Balance of Current Portion of Long-term Receivables	Note 8	(6 153 876)	(2 304 594)
Opening Balance of Consumer Deposits	Note 14	(20 286 493)	(20 065 499)
Closing Balance of Consumer Deposits	Note 14	21 110 674	20 286 493
<b>Total Receipts for Operational Revenue</b>		<b>23 241 427</b>	<b>29 912 955</b>

*Operational Revenue* have been restated to correctly disclose the amount for Revenue in terms of the Lease Register, contracts not previously recognised. Refer to Note 47.2 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**33 PROFIT ON SALE OF LAND**

Proceeds on Sale of Land	11 096 192	31 981 893
Cost of Sale of Land	(11 972 000)	(300 000)
<b>Total Profit on Sale of Land</b>	<b>(875 808)</b>	<b>31 681 893</b>

*Profit on Sale of Land* has been restated to disclose the correct amount for Capital Assets in terms of the new Asset Register prepared. Refer to Note 47.2 on "Correction of Error" for details of the restatement.

**34 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	133 036 583	130 490 600
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	35 548 079	33 333 752
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	20 739 452	20 748 649
Housing Benefits and Allowances	1 288 486	1 065 600
Overtime Payments	19 201 858	22 899 633
Defined Benefit Plan Expense:	4 022 170	4 690 447
Current Service Cost	4 517 663	4 420 806
Interest Cost	7 285 760	6 818 815
Net Actuarial (gains)/losses recognised	(7 781 253)	(6 549 174)
<b>Total Employee Related Costs</b>	<b>213 836 628</b>	<b>213 228 681</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>34.1 Calculation of Cash Flow:</b>		
Employee Related Costs Expenditure	213 836 628	213 228 681
Opening Balance of Employee Benefit Liabilities	76 593 297	74 745 203
Closing Balance of Employee Benefit Liabilities	(77 758 782)	(76 593 297)
Opening Balance of Provision for Performance Bonuses	1 389 654	1 097 216
Closing Balance of Provision for Performance Bonuses	(1 437 197)	(1 389 654)
Opening Balance of Provision for Long-term Service	1 100 625	1 156 598
Closing Balance of Provision for Long-term Service	(1 037 740)	(1 100 625)
Opening Balance of Post-retirement Benefits	1 741 728	1 642 452
Closing Balance of Post-retirement Benefits	(1 818 945)	(1 741 728)
<b>Total Payments for Employee Related Costs</b>	<b>212 609 268</b>	<b>211 044 845</b>

No advances were made to employees. Loans to employees are set out in Note 13.

**Remuneration of Section 57 Employees:**

***Remuneration of the Municipal Manager***

Annual Remuneration	126 292	232 812
Car and Other Allowances	13 503	-
Company Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>139 795</b>	<b>232 812</b>

The post was vacant from 01 April 2015 to 30 June 2017. Acting Allowances were paid for the period.

***Remuneration of the Chief Financial Officer***

Annual Remuneration	21 650	116 817
Car and Other Allowances	64 020	-
Company Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>85 671</b>	<b>116 817</b>

The post was vacant as from 01 August 2015 to 30 June 2017. Acting Allowances were paid for the period.

***Remuneration of the Manager: Community Services***

Annual Remuneration	1 380 627	1 016 192
Car and Other Allowances	136 002	121 500
Company Contributions to UIF, Medical and Pension Funds	243 516	189 700
<b>Total</b>	<b>1 760 145</b>	<b>1 327 392</b>

***Remuneration of the Manager: Corporate Support Services***

Annual Remuneration	292 413	169 865
Car and Other Allowances	83 165	-
Company Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>375 578</b>	<b>169 865</b>

The post was vacant for the period 01 July 2015 to 30 June 2017. Acting Allowances were paid for the period.

***Remuneration of the Manager: Developmental Services***

Annual Remuneration	218 436	558 312
Car and Other Allowances	31 589	218 277
Company Contributions to UIF, Medical and Pension Funds	-	227 647
<b>Total</b>	<b>250 026</b>	<b>1 004 236</b>

The post was vacant for the period 01 March 2016 to 30 June 2017. An Acting Allowance was paid for the period.

***Remuneration of the Manager: Technical Services***

Annual Remuneration	203 173	198 792
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>203 173</b>	<b>198 792</b>

The post was vacant for the period 01 July 2015 to 30 June 2017. Acting Allowances were paid for the period.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Remuneration of the Manager: Traffic and Emergency Services</b>		
Annual Remuneration	737 123	713 304
Car and Other Allowances	80 355	57 084
Company Contributions to UIF, Medical and Pension Funds	-	92 951
<b>Total</b>	<b>817 478</b>	<b>863 339</b>

The post was vacant for the period 01 July 2015 to 31 October 2015. Acting Allowances were paid for the period.

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

**Staff Leave Benefits:-**

Manager: Community Services	292 514	207 266
Manager: Traffic and Emergency Services	77 270	47 382
<b>Total</b>	<b>369 783</b>	<b>254 648</b>

**35 REMUNERATION OF COUNCILLORS**

Mayor	469 273	498 275
Speaker	362 645	411 297
Executive Committee Members	1 011 475	1 027 621
Councillors	10 653 583	10 158 445
Company Contributions to UIF, Medical and Pension Funds	1 703 122	1 621 018
Other Allowances (Cellular Phones, Housing, Transport, etc)	5 728 334	5 987 203
<b>Total Councillors' Remuneration</b>	<b>19 928 433</b>	<b>19 703 859</b>

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

Security Services were rendered at the houses of the Mayor, Speaker and Chief Whip at the expense of the municipality.

**36 COLLECTION COSTS**

Commission Paid	1 803 869	1 291 433
Legal Costs	65 099	105 010
<b>Total Collection Costs</b>	<b>1 868 968</b>	<b>1 396 442</b>

**37 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	340 766 608	84 563 563
Amortisation: Intangible Assets	472 839	446 378
Depreciation: Investment Property	303 520	87 884
<b>Total Depreciation and Amortisation</b>	<b>341 542 967</b>	<b>85 097 825</b>

*Depreciation and Amortisation* has been restated to disclose the correct amount for Capital Assets in terms of the new Asset Register prepared. Refer to Note 47.3 on "Correction of Error" for details of the restatement.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>38 IMPAIRMENT LOSSES</b>		
<i>38.1 Impairment Losses on Fixed Assets</i>		
<b>Impairment Losses Recognised:</b>	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<b>Impairment Losses Reversed:</b>	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	-	-
	-	-
<i>38.2 Impairment Losses on Financial Assets</i>		
<b>Impairment Losses Recognised:</b>	36 957 764	79 421 216
Long-term Receivables	-	-
Receivables from Exchange Transactions	27 546 219	67 512 423
Receivables from Non-exchange Transactions	9 411 544	11 908 792
<b>Impairment Losses Reversed:</b>	275 271	(127 741)
Long-term Receivables	275 271	(127 741)
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	37 233 035	79 293 475
<b>Total Impairment Losses</b>	37 233 035	79 293 475
<b>39 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	484 278	456 944
Infrastructure - Electricity	40 710 179	22 679 728
Infrastructure - Road Transport	7 669 649	6 421 680
Infrastructure - Water	159 818 284	108 059 602
Infrastructure - Other	3 133	2 589 550
Community Assets	13 558	49 458
Other Assets	14 357 260	852 611
Intangible Assets	935 966	884 234
Expenditure Recharged	(9 180 385)	(21 135 931)
<b>Total Repairs and Maintenance</b>	214 811 923	120 857 876
<b>40 FINANCE COSTS</b>		
Landfill Provision	223 917	271 023
<b>Total Interest Paid on External Borrowings</b>	223 917	271 023
<b>40.1 Calculation of Cash Flow:</b>		
Finance Cost Expenditure	223 917	271 023
<b>Total Payments for Finance Costs</b>	223 917	271 023

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>41 BULK PURCHASES</b>		
Electricity	176 100 293	162 967 240
Water	34 916 517	33 584 352
<b>Total Bulk Purchases</b>	<b>211 016 811</b>	<b>196 551 593</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".

**42 CONTRACTED SERVICES**

Delivery of Accounts	872 611	-
Professional Fees	3 250 152	2 624 379
Security Services	33 506 161	22 928 737
Valuation Services	49 948	2 982
Water Purification	444 199	282 270
Other Contracted Services	22 123 288	3 006 036
<b>Total Contracted Services</b>	<b>60 246 359</b>	<b>28 844 404</b>

**42.1 Calculation of Cash Flow:**

Expenditure for Contracted Services	Note 42	60 246 359	28 844 404
Expenditure for Bulk Purchases	Note 41	211 016 811	196 551 593
Expenditure for Repairs and Maintenance	Note 39	214 811 923	120 857 876
Opening Balance of Payables: Exchange Transactions	Note 16	226 359 273	156 763 078
Closing Balance of Payables: Exchange Transactions	Note 16	(217 762 867)	(226 359 273)
Opening Balance of Inventories	Note 2	(9 970 906)	(9 923 368)
Closing Balance of Inventories	Note 2	9 125 109	9 970 906
Other Transfers of Assets	Note 9	6 517 680	448 786
<b>Total for Suppliers Paid</b>		<b>500 343 382</b>	<b>277 154 001</b>

**43 GRANTS AND SUBSIDIES PAID**

Community Projects	17 000	117 723
Free Basic Services	11 204 708	9 654 045
Mayoral Discretionary Expenditure	984 615	594 502
Project Expenditure	19 060 087	16 861 629
Sport Events	398 694	376 301
Women's day	60 400	-
Other Grants and Subsidies Paid	-	15 000
<b>Total Grants and Subsidies Paid</b>	<b>31 725 504</b>	<b>27 619 201</b>

**Community Projects** are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

**Free Basic Services** are in respect of assistance to and providing basic service levels to indigent households.

The **Mayor** makes grants available on own discretion.

**Project Expenditure** is in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

**Sport Events** are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

The **Women's Day** is paid in the municipality's aim to further local economic development of all women in the communities.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
<b>44 OPERATIONAL COSTS</b>			
Included in Operational Costs are the following:			
Advertising, Publicity and Marketing		3 520 778	2 843 098
Bank Charges, Facility and Card Fees		1 059 731	1 070 038
Bursaries		248 384	294 348
Chemicals and Poison		116 220	280 045
Cleaning Material		251 994	160 544
Communication		660 645	2 828 804
Connection Fees		1 021 151	454 826
Connections and Disconnections		84 995	56 307
Disaster Expenditure		214 357	133 838
Electricity		6 780 342	6 004 830
Entertainment		31 121	60 273
Expenditure incurred from EPWP Grant		1 877 560	2 219 817
Expenditure incurred from Municipal Infrastructure Grant		202 722	-
External Audit Fees		3 256 720	3 164 587
GLPS Power Factor Correction		-	322 723
Hire Charges		9 636 553	304 537
IDP Review		1 211 696	979 375
Insurance		7 515 851	2 271 240
Lease Charges		359 377	330 986
Legal Costs		12 356 695	12 700 326
Levies: SALGA		2 799 550	2 323 920
Loss Control		116 441	85 451
Materials and Stocks		1 405 356	543 231
Mayoral Special Programmes		909 455	349 051
Medical Examinations		42 222	107 640
Postage and Telegrams		327 945	360 427
Pound Fees		125 693	117 796
Refuse Removal		99 737	182 555
Remuneration to Ward Committees		1 238 260	3 930 193
Sanitation and Sewerage		115 322	130 965
Stock Shortages/Surpluses		1 185 600	(10 745)
Telephone Cost		1 555 769	1 405 006
Training Costs		561 437	118 918
Transport Costs		24 791 841	30 320 271
Travelling and Subsistence		3 597 542	2 515 658
Uniforms and Protective Clothing		1 281 249	546 263
Waste Management		847 750	8 067 965
Water		1 142 302	663 912
Water Levy		317 750	280 313
Website Hosting		36 348	22 718
Other General Expenses		2 781 302	1 574 455
<b>Total Operational Costs</b>		<b>95 685 764</b>	<b>90 116 503</b>
<b>44.1 Calculation of Cash Flow:</b>			
Expenditure for General Expenses	Note 44	95 685 764	90 116 503
Expenditure for Grants and Subsidies Paid	Note 43	31 725 504	27 619 201
Expenditure for Collection Costs	Note 36	1 868 968	1 396 442
Opening Balance of Provision: Cleaning of Illegal Dumping	Note 15	300 000	300 000
Closing Balance of Provision: Cleaning of Illegal Dumping	Note 15	(300 000)	(300 000)
Opening Balance of Payables: Non-exchange Transactions	Note 17	58 628 555	47 262 634
Closing Balance of Payables: Non-exchange Transactions	Note 17	(60 960 561)	(58 628 555)
Opening Balance of Non-current Provisions	Note 21	11 195 858	11 986 000
Closing Balance of Non-current Provisions	Note 21	(11 123 292)	(11 195 858)
<b>Total for Other Payments</b>		<b>127 020 797</b>	<b>108 556 368</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

*Operational Costs* have been restated to correctly disclose the expenditure for Workmen's Compensation Insurance. Refer to Note 47.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

**44.2 Material Losses**

	<b>55 549 188</b>	<b>31 603 428</b>
Glass	2 950	7 061
Public Liability	229 829	50 941
Theft	266 828	8 076
Vehicle Damages	21 560	4 430
Distribution Losses:		
Electricity Losses	37 802 527	19 408 172
Water Losses	17 225 494	12 124 748

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 52.9).

No other extra-ordinary expenses were incurred.

**45 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Proceeds on Sale of Assets	-	-
Assets Disposed at Carrying Value:	-	(364 717)
Cost of Disposed Assets	-	(767 826)
Accumulated Depreciation of Disposed Assets	-	403 109
Accumulated Impairment of Disposed Assets	-	-
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>-</b>	<b>(364 717)</b>

**46 CHANGE IN ACCOUNTING POLICY**

The municipality adopted the amended portions following Accounting Standards for the first time during the financial year 2016/17 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 17    Property, Plant and Equipment

**46.1 GRAP 17 - Property, Plant and Equipment**

The amendments in Accounting Standard for *Property, Plant and Equipment* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2017 in terms of GRAP 17.

The municipality has amended Accounting Policies to fully comply with GRAP 17 (*Property, Plant and Equipment*). The amendments in GRAP 17 is applied prospectively and there is no need for restatement of prior year figures.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2016 and the Accumulated Surplus of prior years was not affected either.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>47 CORRECTION OF ERROR</b>		
Corrections were made during the previous financial years. Details of the corrections are described below:		
<b>47.1 Reclassification of Accumulated Surplus</b>		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
<b>The effect of the changes are as follows:</b>		
		<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2015</b>		<b>1 961 756 565</b>
Correction of Error as per Note 47.4:-		
Adjustment for Bank Errors	(11 881)	
Adjustment for Operating Lease Receivables	(254)	
Adjustment for Survey Cost	(71 061)	
Adjustment for Workmen's Compensation Assessment	-	
Adjustment for Pre-paid Leases	(105 000)	
Adjustment for prior year Pre-paid Electricity reversal at Year-end	-	
Adjustment for Pre-paid Electricity accrual at Year-end	-	
Adjustment for Land for Road Reserves not recognised	2 372 728 710	
Adjustment for Land for Other Purposes not recognised	134 991 314	
Adjustment for Movable Assets not recognised	6 896 376	
Adjustment for Capital Assets not matched to Asset Register	1 621 360 529	
Adjustment for Landfill Site Rehabilitation	-	
Adjustment for Infrastructure Assets from WIP	-	
	<hr/>	4 135 788 734
<b>Restated Balances as at 30 June 2015</b>		<hr/> <b>6 097 545 299</b>
Transactions incurred for the Year 2015/16		378 586 972
Correction of Error as per Note 47.4:-		
Adjustment for Bank Errors	-	
Adjustment for Operating Lease Receivables	43	
Adjustment for Survey Cost	-	
Adjustment for Workmen's Compensation Assessment	248 165	
Adjustment for Pre-paid Leases	-	
Adjustment for prior year Pre-paid Electricity reversal at Year-end	394 998	
Adjustment for Pre-paid Electricity accrual at Year-end	197 595	
Adjustment for Land for Other Purposes not recognised	(300 000)	
Adjustment for Movable Assets not recognised	(1 229 750)	
Adjustment for Landfill Site Rehabilitation	-	
Adjustment for Infrastructure Assets from WIP	-	
	<hr/>	(688 949)
<b>Restated Balances as at 30 June 2016</b>		<hr/> <b>6 475 443 322</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**47.2 Reclassification of Revenue**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2015/16 Revenue</b>	<b>Current Year 2015/16 Revenue</b>	<b>Restated Amount</b>
Property Rates	55 459 979	55 459 979	-
Fines	3 163 638	3 163 638	-
Licences and Permits	77 531	77 531	-
Government Grants and Subsidies Received	783 769 534	783 769 534	-
Public Contributions and Donations	1 757 804	1 757 804	-
Service Charges	296 902 668	297 495 261	(592 593)
Rental of Facilities and Equipment	571 872	571 872	-
Interest Earned - External Investments	38 940 023	38 940 023	-
Interest Earned - Outstanding Debtors	16 228 989	16 228 989	-
Income for Agency Services	8 125 789	8 125 789	-
Operational Revenue	3 971 266	3 971 309	(43)
Profit on Sale of Land	31 981 893	31 681 893	300 000
	<b>1 240 950 986</b>	<b>1 241 243 622</b>	<b>(292 636)</b>

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Service Charges</b>	<b>Operational Revenue</b>	<b>Profit on Sale of Land</b>
<b>Balance previously reported</b>	<b>296 902 668</b>	<b>3 971 266</b>	<b>31 981 893</b>
Adjustment for prior year Pre-paid Electricity reversal at Year-end	394 998		
Adjustment for Pre-paid Electricity accrual at Year-end	197 595		
Adjustment for Operating Lease Receivables		43	
Adjustment for Land for Other Purposes not recognised			(300 000)
<b>Restated Balance now reported</b>	<b>297 495 261</b>	<b>3 971 309</b>	<b>31 681 893</b>

**Service Charges:**

The **prior year amounts** for *Service Charges* and Payables from Non-exchange Transactions have been restated to correctly disclose the reversal for Pre-paid Electricity unused accrued for the prior year, previously not recorded.

Furthermore, the **prior year amounts** for *Service Charges* and Payables from Non-exchange Transactions have been restated to correctly disclose the accrual for Pre-paid Electricity unused at year-end, previously incorrectly calculated.

**Income from Agency Services:**

The prior year amounts for *Income from Agency Services* has been reclassified to correctly disclose the revenue from Agency Services as "*Revenue from Exchange Transactions*" in terms of GRAP 23, previously erroneously disclosed as "*Revenue from Non-exchange Transactions*".

**Operational Revenue:**

The prior year amounts for *Operational Revenue* and Operating Lease Receivables have been restated to correctly disclose the revenue for Rentals for new lease agreements entered into, previously not accrued for.

**Profit on Sale of Land:**

The **prior year amounts** for *Profit on Sale of Land* and Property, Plant & Equipment have been restated to correctly disclose the revenue accrued for Land Sales, cost of sales previously not recognised.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**47.3 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2015/16 Expenditure</b>	<b>Current Year 2015/16 Expenditure</b>	<b>Restated Amount</b>
Employee Related Costs	213 228 681	213 228 681	-
Remuneration of Councillors	19 703 859	19 703 859	-
Collection Costs	1 396 442	1 396 442	-
Depreciation and Amortisation	83 868 075	85 097 825	(1 229 750)
Impairment Losses	79 293 475	79 293 475	-
Repairs and Maintenance	120 857 876	120 857 876	-
Finance Costs	271 023	271 023	-
Bulk Purchases	196 551 593	196 551 593	-
Contracted Services	28 844 404	28 844 404	-
Grants and Subsidies Paid	27 619 201	27 619 201	-
Operational Costs	90 364 668	90 116 503	248 165
Loss on Disposal of Property, Plant and Equipment	364 717	364 717	-
Surplus / (Deficit) for the Year	378 586 972	377 898 023	688 949
	<b>1 240 950 986</b>	<b>1 241 243 622</b>	<b>(292 636)</b>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Depreciation &amp; Amortisation</b>	<b>Operational Costs</b>
<b>Balance previously reported</b>	<b>83 868 075</b>	<b>90 364 668</b>
Adjustment for Depreciation on Movable Assets not recognised	1 229 750	
Adjustment for Workmen's Compensation Assessment		(248 165)
<b>Restated Balance now reported</b>	<b>85 097 825</b>	<b>90 116 503</b>

**Depreciation and Amortisation:**

The prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Movable Assets, previously not recognised.

**Operational Costs:**

The prior year amounts for *Operational Costs* and Payables from Exchange Transactions have been restated to correctly disclose the expenditure for Workmen's Compensation Insurance, previously over accrued for.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**47.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2015/16 Balance</b>	<b>Current Year 2015/16 Balance</b>	<b>Restated Amount</b>
<b>Current Assets</b>			
Inventories	9 166 275	9 970 906	(804 631)
Receivables from Exchange Transactions	103 103 792	103 103 792	-
Receivables from Non-exchange Transactions	39 805 132	39 793 251	11 881
VAT Receivable	42 788 643	42 788 643	-
Cash and Cash Equivalents	525 442 644	525 442 644	-
Operating Lease Receivables	90 538	90 327	211
Current Portion of Long-term Receivables	2 304 594	2 304 594	-
<b>Non-Current Assets</b>			
Property, Plant and Equipment	2 064 487 323	6 165 112 887	(4 100 625 565)
Heritage Assets	5 736 342	5 736 342	-
Intangible Assets	1 780 828	1 780 828	-
Investment Property	2 645 961	35 662 945	(33 016 984)
Long-term Receivables	219 962	219 962	-
<b>Current Liabilities</b>			
Consumer Deposits	(20 286 493)	(20 286 493)	-
Provisions	(4 532 007)	(4 532 007)	-
Payables from Exchange Transactions	(226 536 378)	(226 359 273)	(177 105)
Payables from Non-exchange Transactions	(59 116 148)	(58 628 555)	(487 593)
Unspent Conditional Grants and Receipts	(58 968 316)	(58 968 316)	-
<b>Non-Current Liabilities</b>			
Retirement Benefit Liabilities	(76 593 297)	(76 593 297)	-
Non-current Provisions	(11 195 858)	(11 195 858)	-
<b>Net Assets</b>			
Accumulated Surplus / (Deficit)	(2 340 343 536)	(6 475 443 322)	4 135 099 785
	-	(0)	0

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	<b>Receivables: Non-exchange</b>	<b>Lease Receivables</b>
<b>Balances previously published per AFS as at 30 June 2015</b>	<b>34 612 865</b>	<b>90 826</b>
Adjustment for Bank Errors	(11 881)	
Adjustment for Receivables to Lease Register		(254)
<b>Balances now published per AFS as at 30 June 2015</b>	<b>34 600 984</b>	<b>90 572</b>
Transactions incurred for the Year 2015/16	5 192 267	(288)
Adjustment for Receivables to Lease Register		43
<b>Balances now published per AFS as at 30 June 2016</b>	<b>39 793 251</b>	<b>90 327</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
	Inventories	Property, Plant & Equipment	Investment Property
<b>Balances previously published per AFS as at 30 June 2015</b>	<b>9 608 220</b>	<b>1 632 893 035</b>	<b>2 733 845</b>
Adjustment for Capital Spares in Inventory	315 148	(315 148)	
Adjustment for Land for Road Reserves not recognised		2 372 728 710	
Adjustment for Land for Other Purposes not recognised		134 991 314	
Adjustment for Movable Assets not recognised		6 896 376	
Adjustment for Capital Assets not matched to Asset Register		1 588 343 545	33 016 984
<b>Balances now published per AFS as at 30 June 2015</b>	<b>9 923 368</b>	<b>5 735 537 833</b>	<b>35 750 829</b>
Transactions incurred for the Year 2015/16	(441 945)	431 594 287	(87 884)
Adjustment for Capital Spares in Inventory	489 482	(489 482)	
Adjustment for Land for Other Purposes not recognised		(300 000)	
Adjustment for Movable Assets not recognised		(1 229 750)	
<b>Balances now published per AFS as at 30 June 2016</b>	<b>9 970 906</b>	<b>6 165 112 887</b>	<b>35 662 945</b>
		<b>Payables: Exchange</b>	<b>Payables: Non-exchange</b>
<b>Balances previously published per AFS as at 30 June 2015</b>		<b>(156 692 018)</b>	<b>(47 157 634)</b>
Adjustment for Surveying Costs		(71 061)	
Adjustment for Pre-paid Leases			(105 000)
<b>Balances now published per AFS as at 30 June 2015</b>		<b>(156 763 078)</b>	<b>(47 262 634)</b>
Transactions incurred for the Year 2015/16		(69 844 360)	(11 958 514)
Adjustment for Workmen's Compensation Assessment		248 165	
Adjustment for prior year Pre-paid Electricity reversal at Year-end			394 998
Adjustment for Pre-paid Electricity accrual at Year-end			197 595
<b>Balances now published per AFS as at 30 June 2016</b>		<b>(226 359 273)</b>	<b>(58 628 555)</b>

**Receivables from Non-exchange Transactions:**

The **opening balances** of *Receivables from Exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the amount for banking errors at year-end, incurred in a financial period prior to 2014/15 and not recognised.

**Operating Lease Receivables:**

The **opening balances** of *Operating Lease Receivables* and Accumulated Surplus have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register as at 30 June 2016, contracts not previously recognised.

The **prior year amounts** of *Operating Lease Receivables* and Other Income have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register for 2015/16, contracts not previously recognised.

**Inventory:**

The **opening balances** of *Inventory* and Property, Plant & Equipment have been restated to correctly disclose the amount for Capital Spares to be recognised as PPE in terms of the Inventory Register, previously incorrectly recognised.

The **prior year amounts** of *Inventory* and Property, Plant & Equipment have been restated to correctly disclose the amount for Capital Spares to be recognised as PPE in terms of the Inventory Register, previously incorrectly recognised.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>2017</b>	<b>2016</b>
<b>R</b>	<b>R</b>

**Property, Plant and Equipment:**

The **opening balances** of *Property, Plant & Equipment* and Inventory have been restated to correctly disclose the amount for Capital Spares to be recognised as PPE in terms of the Inventory Register, previously incorrectly recognised.

Furthermore, the **opening balances** for *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the amount for Land for Road Reserves, previously not recognised.

Furthermore, the **opening balances** for *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the amount for Land for Other Purposes, previously not recognised.

Furthermore, the **opening balances** for *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the amount for Movable Assets, previously not recognised.

Furthermore, the **opening balances** for *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the amount for Capital Assets in terms of the new Asset Register prepared, not being able to match to previous Asset Register.

The **prior year amounts** of *Property, Plant & Equipment* and Inventory have been restated to correctly disclose the amount for Capital Spares to be recognised as PPE in terms of the Inventory Register, previously incorrectly recognised.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Profit on Sale of Land have been restated to correctly disclose the assets for Land, cost of Land Sales previously not recognised.

Furthermore, the **opening balances** for *Property, Plant & Equipment* and Depreciation have been restated to correctly disclose the amount for Movable Assets, previously not recognised.

**Investment Property:**

The **opening balances** for *Investment Property* and Accumulated Surplus have been restated to correctly disclose the amount for Investment Property in terms of the new Asset Register prepared, not being able to match to previous Asset Register.

**Payables from Exchange Transactions:**

The **opening balances** of *Payables from Exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the liability for Survey Cost incurred, previously not accrued for.

The **prior year amounts** of *Payables from Exchange Transactions* and General Expenses have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously over accrued for.

**Payables from Non-exchange Transactions:**

The **opening balances** for *Payables from Non-exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the accrual for Pre-paid Leases at year-end, the reversal of the prior year accrual previously duplicated.

The **prior year amounts** of *Payables from Non-exchange Transactions* and Service Charges have been restated to correctly disclose the accrual for Pre-paid Electricity unused at year-end, the reversal of the prior year accrual previously not recorded.

Furthermore, the **prior year amounts** of *Payables from Non-exchange Transactions* and Service Charges have been restated to correctly disclose the accrual for Pre-paid Electricity unused at year-end as per audit finding, previously incorrectly calculated.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>48 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	(116 907 938)	377 898 023
Adjustment for:		
Depreciation and Amortisation	341 542 967	85 097 825
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	364 717
Profit on Sale of Land	875 808	(31 681 893)
Other Movement on Property, Plant and Equipment	(6 517 680)	(448 786)
Contribution to Post-retirement Health Care Benefits	2 256 383	2 817 420
Expenditure incurred from Post-retirement Health Care Benefits	(1 741 728)	(1 642 452)
Contribution to Long Service Awards Liability	1 765 787	1 873 027
Expenditure incurred from Long Service Awards Liability	(1 100 625)	(1 156 598)
Contribution to Provisions - Current	47 543	292 438
Contribution to Provisions - Non-current	(72 566)	(790 142)
Contribution to Impairment Provision	37 233 035	79 293 475
Bad Debts Written-off	(3 011 400)	(4 731 525)
<b>Operating surplus before working capital changes</b>	<b>254 369 587</b>	<b>507 185 530</b>
Decrease/(Increase) in Inventories	845 797	(47 537)
Decrease/(Increase) in Receivables from Exchange Transactions	(30 327 608)	(81 870 980)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(17 602 219)	(12 369 535)
Decrease/(Increase) in VAT Receivable	(70 683 638)	(42 788 643)
Decrease/(Increase) in Operating Lease Assets	4 276	245
Decrease/(Increase) in Current Portion of Long-term Receivables	(3 849 283)	1 536 203
Increase/(Decrease) in Consumer Deposits	824 180	220 995
Increase/(Decrease) in Payables from Exchange Transactions	(8 596 406)	69 596 195
Increase/(Decrease) in Payables from Non-exchange Transactions	2 332 005	11 365 921
Increase/(Decrease) in Conditional Grants and Receipts	4 982 003	42 064 714
Increase/(Decrease) in VAT Payable	-	(12 118 612)
<b>Cash generated by / (utilised in) Operations</b>	<b>132 298 695</b>	<b>482 774 496</b>
<b>49 NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2016/17 financial year.		
<b>50 FINANCING FACILITIES</b>		
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	2 197 216	1 230 608
- Amount unused	(1 197 216)	(230 608)
	<b>1 000 000</b>	<b>1 000 000</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**51 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**51.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	217 766 900	96 698 524
Unauthorised Expenditure current year	266 808 204	121 068 376
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 58)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	<u>484 575 104</u>	<u>217 766 900</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	
- Executive and Council - R0 (2016: R17 662 086)	To be condoned by Council
- Budget and Treasury Office - R4 893 095 (2016: R0)	To be condoned by Council
- Community and Social Services - R29 856 895 (2016: R0)	To be condoned by Council
- Public Safety - R746 077 (2016: R0)	To be condoned by Council
- Sport and Recreation - R3 977 453 (2016: R0)	To be condoned by Council
- Health - R295 494 (2016: R0)	To be condoned by Council
- Roads and Transport - R136 426 692 (2016: R0)	To be condoned by Council
- Electricity - R38 588 355 (2016: R0)	To be condoned by Council
- Waste Water Management - R1 480 707 (2016: R0)	To be condoned by Council
- Water - R33 808 226 (2016: R18 238 008)	To be condoned by Council
- Total budgeted expenditure exceeded - R16 735 211 (2016: R85 168)	To be condoned by Council

**51.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 240 802	901 241
Fruitless and Wasteful Expenditure current year	597 327	339 562
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 58)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>1 838 129</u>	<u>1 240 802</u>

Incident	Disciplinary Steps / Criminal Proceedings
Competency Assessment (No appointment) - R43 344 (2016: R0)	To be submitted to Council
Legal Cost incurred on suspended official - R468 802 (2016: R0)	None
Insurance Claims refused - R85 181 (2016: R80 327)	None
Interest on Late Payments to SARS - R0 (2016: R3 639)	None
Penalties on Late Payments to SARS - R0 (2016: R255 595)	None
Interest on late payment - Various Creditors - R0 (2016: R0)	To be submitted to Council (2016: Under investigation)

**51.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

		<b>Restated</b>
Opening balance	812 339 220	324 849 118
Irregular Expenditure current year	294 333 118	487 490 102
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 58)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	<u>1 106 672 338</u>	<u>812 339 220</u>

Incident	Disciplinary Steps / Criminal Proceedings
Non-compliance to SCM Regulations - R289 215 081 (2016: R471 087)	Under Investigation. To be submitted to Council for condonement.
Expenditure contrary to SCM Processes as described in Note 52.8 - R5 118 037 (2016: R16 402 796)	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R	
<b>52 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>52.1 Contributions to organised local government - SALGA</b>			
Opening Balance	-	-	
Council Subscriptions	2 799 550	2 323 920	
Amount Paid - current year	(2 799 550)	(2 323 920)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>	
<b>52.2 Audit Fees</b>			
Opening Balance	-	-	
Current year Audit Fee	3 256 720	3 164 587	
Amount Paid - current year	(3 256 720)	(3 164 587)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>	
<b>52.3 VAT</b>			
The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.			
<b>52.4 PAYE, Skills Development Levy and UIF</b>			
Opening Balance	-	-	
Current year Payroll Deductions	33 711 043	31 006 688	
Amount Paid - current year	(33 711 043)	(31 006 688)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>	
<b>52.5 Pension and Medical Aid Deductions</b>			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	48 962 951	45 980 728	
Amount Paid - current year	(48 962 951)	(45 980 728)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>	
<b>52.6 Councillor's arrear Consumer Accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2017</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Kekana TM	14 612	1 607	13 006
Councillor Rapatsa MM	1 497	402	1 095
Councillor Senosha SCG	465	383	83
<b>Total Councillor Arrear Consumer Accounts</b>	<b>16 575</b>	<b>2 391</b>	<b>14 183</b>
<b>30 June 2016</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Mutshinya MF	6 128	2 151	3 978
Councillor Sekhu MJ	3 030	2 487	543
Councillor Senosha SCG	513	436	77
<b>Total Councillor Arrear Consumer Accounts</b>	<b>9 671</b>	<b>5 074</b>	<b>4 598</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
<b>30 June 2017</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Kekana TM	25 651	> 90 Days
Councillor Langa MJ	457	> 90 Days
Councillor Lentsoane MC	780	> 90 Days
Councillor Rapatsa MM	1 095	> 90 Days
Councillor Senosha SCG	136	> 90 Days
<b>30 June 2016</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Gwangwa LPE	2 883	> 90 Days
Councillor Langa MJ	1 409	> 90 Days
Councillor Lentsoane MC	2 209	> 90 Days
Councillor Matsemela RA	89	> 90 Days
Councillor Mutshinya MF	3 978	> 90 Days
Councillor Rapatsa MM	43 722	> 90 Days
Councillor Sekhu MJ	983	> 90 Days
Councillor Senosha SCG	156	> 90 Days

**52.7 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**52.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Municipal Manager	Year 2016/17	Various occasions (5)	Preferred Supplier	128 004.00
5 Occasions during the financial year procuring various services amounting to R128 004,00				
Community Services	May 2017	Gold Rush Hotel	Preferred Supplier	1 394.00
	May 2017	Techraks ICT Solutions (Pty) Ltd		204 000.00
2 Occasions during the financial year procuring services for Accommodation and Waste Collection & Transportation from Villages amounting to R205 394,00				
Corporate Support Services	Year 2016/17	Various occasions (4)	Preferred Supplier	24 997.96
4 Occasions during the financial year procuring various services amounting to R24 997,96				
Electrical Services	September 2016	Automotor Robot Controller	Preferred Supplier	33 978.84
	October 2016	Reinhausen South Africa (Pty) Ltd		41 291.26
	February 2017	Delta Hydraulics		38 600.40
3 Occasions during the financial year procuring services for Repairs of Robot Controllers, Tap Changer and Hydraulic Gear amounting to R113 870,50				
Financial Services	Year 2016/17	Various occasions (7)	Preferred Supplier and Limited Bidding	4 567 818.12
7 Occasions during the financial year procuring various services amounting to R4 567 818,12				
Technical Services	February 2017	Koty Pompe B.K.	Preferred Supplier	3 314.58
1 Occasion during the financial year procuring services for Supply of Water Materials amounting to R3 314,58				
Traffic and Emergency Services	October 2016	Truvelo Manufacturing (Pty) Ltd	Preferred Supplier and Sole Supplier	25 621.53
	November 2016	Truvelo Manufacturing (Pty) Ltd		2 276.42
	February 2017	Lymae		46 740.00
3 Occasions during the financial year procuring services for Supply & Repair of Speed Measuring Equipment and Protective Clothing amounting to R74 637,95				

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**52.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

		<b>Lost Units</b>	<b>Tariff</b>	<b>Value</b>
<b>30 June 2017</b>	Unaccounted Electricity Losses	44 120 596	0.8568	37 802 527
<b>30 June 2016</b>	Unaccounted Electricity Losses	24 686 049	0.7862	19 408 172

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

**2017**  
**R**                      **2016**  
**R**

**Volumes in kWh/year:**

System Input Volume	203 717 081	206 284 079
Billed Consumption	159 596 485	181 598 030
Distribution Loss	44 120 596	24 686 049
Percentage Distribution Loss	21.66%	11.97%

**Water:**

		<b>Lost Units</b>	<b>Tariff</b>	<b>Value</b>
<b>30 June 2017</b>	Unaccounted Water Losses	2 769 372	6.2200	17 225 494
<b>30 June 2016</b>	Unaccounted Water Losses	2 104 991	5.7600	12 124 748

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

**2017**  
**R**                      **2016**  
**R**

**Volumes in Kl/year:**

System Input Volume	6 459 192	7 154 106
Billed Consumption	3 689 820	5 049 115
Distribution Loss	2 769 372	2 104 991
Percentage Distribution Loss	42.87%	29.42%

**53 COMMITMENTS FOR EXPENDITURE**

**53.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

*Land and Buildings*  
*Infrastructure*  
*Community*

<b>470 054 191</b>	<b>413 433 605</b>
740 890	11 660 044
468 023 474	364 332 379
1 289 827	37 441 182

**- Approved but Not Yet Contracted for:-**

*Land and Buildings*  
*Infrastructure*  
*Community*

-	-
-	-
-	-
-	-

**Total Capital Commitments**

<b>470 054 191</b>	<b>413 433 605</b>
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This expenditure will be financed from:

Capital Replacement Reserve  
Government Grants

10 820 605	212 487 083
459 233 585	200 946 522

<b>470 054 191</b>	<b>413 433 605</b>
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**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**53.2 Lease Commitments**

Non-cancellable Operating Lease Commitments are disclosed in Note 19.

**53.3 Other Commitments**

The municipality has entered into a contract on 03 March 2016 with Ntsumi Telecommunications (Pty) Ltd in assisting sending electronic notices and correspondence to municipal customers for 2 years. Billing is based on rates.

The municipality has entered into a contract with Ducharme Consulting Services during 2016/17 for the compilation of Annual Financial Statements for the current financial year, which will give rise to a total charge of R390 000. The contract terminates once the Auditor-General submits his report on the 2017 Annual Financial Statements.

**54 FINANCIAL INSTRUMENTS**

**54.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	1 082 056	219 962
Sale of Stand Loans	Amortised cost	-	-
Study Cost Loans	Amortised cost	-	-
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	24 615 685	26 545 595
Refuse	Amortised cost	3 555 804	3 151 783
Sewerage	Amortised cost	5 552 553	5 064 484
Water	Amortised cost	14 572 953	12 413 598
Other Receivables	Amortised cost	16 921 550	17 036 528
Accruals	Amortised cost	40 666 635	38 891 804
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	33 465 010	29 946 350
Sundry Deposits	Amortised cost	1 830 215	1 524 395
Sundry Debtors	Amortised cost	4 641 685	1 426 307
Suspense Accounts	Amortised cost	11 058 416	6 896 200
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	53 805 730	10 471 835
Notice Deposits	Amortised cost	150 000 000	495 000 000
Bank Balances	Amortised cost	13 593 030	19 946 403
Cash Floats and Advances	Fair value	26 906	24 406
<b>Current Portion of Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	5 244 071	1 499 136
Sale of Stand Loans	Amortised cost	866 425	762 078
Study Cost Loans	Amortised cost	43 380	43 380

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Debtors Capitalised Loans	1 082 056	219 962
Long-term Receivables	Sale of Stand Loans	-	-
Long-term Receivables	Study Cost Loans	-	-
Receivables from Exchange Transactions	Electricity	24 615 685	26 545 595
Receivables from Exchange Transactions	Refuse	3 555 804	3 151 783
Receivables from Exchange Transactions	Sewerage	5 552 553	5 064 484
Receivables from Exchange Transactions	Water	14 572 953	12 413 598
Receivables from Exchange Transactions	Other Debtors	16 921 550	17 036 528
Receivables from Exchange Transactions	Accruals	40 666 635	38 891 804
Receivables from Non-exchange Transactions	Assessment Rates Debtors	33 465 010	29 946 350
Receivables from Non-exchange Transactions	Sundry Deposits	1 830 215	1 524 395
Receivables from Non-exchange Transactions	Sundry Debtors	4 641 685	1 426 307
Receivables from Non-exchange Transactions	Suspense Accounts	11 058 416	6 896 200
Current Portion of Long-term Receivables	Debtors Capitalised Loans	5 244 071	1 499 136
Current Portion of Long-term Receivables	Sale of Stand Loans	866 425	762 078
Current Portion of Long-term Receivables	Study Cost Loans	43 380	43 380
Cash and Cash Equivalents	Call Deposits	53 805 730	10 471 835
Cash and Cash Equivalents	Notice Deposits	150 000 000	495 000 000
Cash and Cash Equivalents	Bank Balances	13 593 030	19 946 403
		<u>381 515 199</u>	<u>670 839 837</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Cash Floats and Advances	26 906	24 406
		<u>26 906</u>	<u>24 406</u>
<b>Total Financial Assets</b>		<u><b>381 542 106</b></u>	<u><b>670 864 244</b></u>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u><b>Financial Liabilities</b></u>	<u><b>Classification</b></u>		
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	128 806 702	151 277 909
Retentions	Amortised cost	88 656 164	74 781 364
Other Creditors	Amortised cost	300 000	300 000
<b>Payables from Non-exchange Transactions</b>			
Staff Bonuses	Amortised cost	4 360 356	4 722 503
Staff Leave Accrued	Amortised cost	24 969 673	24 813 449
Suspense Accounts	Amortised cost	3 222 445	602 861
Sundry Deposits	Amortised cost	1 156 884	990 922

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Payables from Exchange Transactions	Trade Creditors	128 806 702	151 277 909
Payables from Exchange Transactions	Retentions	88 656 164	74 781 364
Payables from Exchange Transactions	Other Creditors	300 000	300 000
Payables from Non-exchange Transactions	Staff Bonuses	4 360 356	4 722 503
Payables from Non-exchange Transactions	Staff Leave Accrued	24 969 673	24 813 449
Payables from Non-exchange Transactions	Suspense Accounts	3 222 445	602 861
Payables from Non-exchange Transactions	Sundry Deposits	1 156 884	990 922
		<u>251 472 226</u>	<u>257 489 007</u>
<b>Total Financial Liabilities</b>		<u><b>251 472 226</b></u>	<u><b>257 489 007</b></u>

**54.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2017, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2017**

	<b>Level 1</b> <b>R</b>	<b>Level 2</b> <b>R</b>	<b>Level 3</b> <b>R</b>	<b>Total</b> <b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	26 906	-	26 906
<b>Total Financial Assets</b>	<u>-</u>	<u>26 906</u>	<u>-</u>	<u>26 906</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>26 906</u>	<u>-</u>	<u>26 906</u>

**30 June 2016**

	<b>Level 1</b> <b>R</b>	<b>Level 2</b> <b>R</b>	<b>Level 3</b> <b>R</b>	<b>Total</b> <b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	24 406	-	24 406
<b>Total Financial Assets</b>	<u>-</u>	<u>24 406</u>	<u>-</u>	<u>24 406</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>24 406</u>	<u>-</u>	<u>24 406</u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**54.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2016.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

**Gearing Ratio**

**2017**  
**R**                      **2016**  
**R**

The gearing ratio at the year-end was as follows:

Debt	0	0
Cash and Cash Equivalents	(203 832 637)	(505 496 241)
Net Debt	<u>(203 832 637)</u>	<u>(505 496 241)</u>
Equity	<u>6 358 535 384</u>	<u>6 475 443 322</u>
<b>Net debt to equity ratio</b>	<u><b>-3.21%</b></u>	<u><b>-7.81%</b></u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**54.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>2017</b>	<b>2016</b>
<b>R</b>	<b>R</b>

**54.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 54.8 to the Annual Financial Statements.

**54.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 54.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**54.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**54.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>2017</b>	<b>2016</b>
<b>R</b>	<b>R</b>

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 54.8 below:

*Cash and Cash Equivalents:*

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have increased / decreased by R489 085 (30 June 2016: R274 655). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**54.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2017		30 June 2016	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
Department of Education, Arts and Culture	-	2 812 303	-	2 695 629
Government of the Republic of South Africa	-	2 004 025	-	-
Government of the Republic of South Africa	-	1 983 086	-	1 743 722
SADT	-	1 941 057	-	-
Lepelle Northern Water	-	1 877 180	-	-
Terra Clay (Pty) Ltd	-	-	-	3 746 717
NTK Beleggings & Ontwikkeling	-	-	-	2 162 771
Republiek van Suid-Afrika	-	-	-	1 530 382

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	7 607 191	2 620 543
Receivables from Exchange Transactions	480 380 046	450 052 438
Receivables from Non-exchange Transactions	110 344 216	92 741 997
Bank, Cash and Cash Equivalents	217 425 666	525 442 644
<b>Maximum Credit and Interest Risk Exposure</b>	<b>815 757 120</b>	<b>1 070 857 623</b>

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	<b>%</b>	<b>%</b>
Consumer Debtors:		
- Household	77.79%	76.61%
- Industrial / Commercial	6.66%	8.10%
- National and Provincial Government	12.22%	12.49%
- Other Classes	0.03%	0.43%
Other Debtors:		
- Other not Classified	3.30%	2.37%
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	-	50 000 000
First National Bank	-	50 000 000
Nedbank	150 000 000	230 000 000
Standard Bank	67 398 760	195 418 238
Cash Equivalents	26 906	24 406
<b>Total Bank and Cash Balances</b>	<b><u>217 425 666</u></b>	<b><u>525 442 644</u></b>
<b>Credit quality of Financial Assets:</b>		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Long-term Receivables</b>		
Group 1	866 425	762 078
Group 2	43 380	43 380
Group 3	6 326 127	1 719 098
<b>Total Long-term Receivables</b>	<b><u>7 235 932</u></b>	<b><u>2 524 556</u></b>
<b>Receivables from Exchange Transactions</b>		
Counterparties without external credit rating:-		
Group 1	35 787 699	29 053 555
Group 2	4 428 964	10 070 855
	<u>40 216 663</u>	<u>39 124 410</u>
<b>Total Receivables from Exchange Transactions</b>	<b><u>40 216 663</u></b>	<b><u>39 124 410</u></b>
<b>Receivables from Non-exchange Transactions</b>		
Group 1	21 684 263	13 576 774
Group 2	-	-
<b>Total Receivables from Non-exchange Transactions</b>	<b><u>21 684 263</u></b>	<b><u>13 576 774</u></b>

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**54 FINANCIAL INSTRUMENTS (Continued)**

**54.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 50 C67 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>30 June 2017</b>	<b>#</b>	<b>%</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
Non-interest Bearing		0.00%	251 472 226	251 472 226	-	-	-	-
			<b>251 472 226</b>	<b>251 472 226</b>	-	-	-	-
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	257 489 007	257 489 007	-	-	-	-
			<b>257 489 007</b>	<b>257 489 007</b>	-	-	-	-

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>30 June 2017</b>	<b>#</b>	<b>%</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
Non-interest Bearing		0.00%	557 691 725	554 614 786	3 076 938	-	-	-
Variable Interest Rate Instruments		12.99%	67 398 760	67 398 760	-	-	-	-
Fixed Interest Rate Instruments		7.68%	150 000 000	150 000 000	-	-	-	-
			<b>775 090 485</b>	<b>772 013 547</b>	<b>3 076 938</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	506 547 580	504 575 689	1 152 297	819 595	-	-
Variable Interest Rate Instruments		14.18%	30 418 238	30 418 238	-	-	-	-
Fixed Interest Rate Instruments		7.04%	495 000 000	495 000 000	-	-	-	-
			<b>1 031 965 818</b>	<b>1 029 993 927</b>	<b>1 152 297</b>	<b>819 595</b>	<b>-</b>	<b>-</b>

The municipality has access to financing facilities, the total unused amount which is R0 (2014: R0), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

**54.9 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>2017</b>	<b>2016</b>
<b>R</b>	<b>R</b>

**55 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R26 757 305 (2016: R25 402 126) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Municipal Employees Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2014.

The statutory valuation performed as at 28 February 2014 revealed that the net assets of the fund were R0,0 (28 February 2011: R552,8) million, with a funding level of 100,0% (28 February 2011: 107,9%). The contribution rate paid by the members (7,50%) and Council (15,00%, 18,00% and 22,00%) is not sufficient to fund the benefits accruing from the fund in the future and there is a shortfall in the future employer contribution rate of 12,80% (28 February 2011: 8,10%).

No further information could be obtained.

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Councillors Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 551,9 (30 June 2012: R1 183,5) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

At 30 June the fund showed an excess of R27,7 (2012: deficit R6,4) million before allowing for reserves and was certified to be in a sound financial condition by the actuaries, Moruba Consultants and Actuaries.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

**Municipal Employees Gratuity Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2016.

The valuation performed as at 30 June 2015 revealed that the market value of the fund was R19 878 (30 June 2014: 17 651) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2016.

No further information could be obtained.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**National Fund for Municipal Workers**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The scheme's assets amounted to R10 050,0 (2014: R9 031,8) million at 30 June.

The statutory valuation performed as at 30 June 2015 revealed that the fund had a surplus of 41,8 (30 June 2014: R9,3) million, with a funding level of 100,42% (30 June 2014: 100,10%). The contribution rate paid by the members (minimum of 2,00% to 7,00%) and the municipalities (minimum of 2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

The monthly deductions for cost were sufficient to cover the expenses incurred over the valuation period. The Trustees, with the support of the Valuator, must continue to monitor the position on an annual basis.

None of the above mentioned plans are State Plans.

**56 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**56.1 Interest of Related Parties**

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
Langa MJ	Councillor	Director of and 100% Interest in Mothushi Corporation
Mabula NS	Councillor	Director of Mapela Irrigation Primary Cooperative Limited; Director of Phaphamang Agriculture Cooperative Limited
Matsemela A	Councillor	Director of Ba Kopane Cooperative; Director of Basapi Ba Mapela; Director of Lebaobab Holdings
Molaba MS	Councillor	Shareholder with 60% interest in Komahlapo Cleaning (Pty) Ltd; Shareholder with 60% interest in Mankale Mining (Pty) Ltd
Kekana VH	Councillor	Director of and 50% Interest in Leokga Trading & Enterprise
Manamela LE	Councillor	Director of and 50% Interest in Motangtang Electrical
Morkel-Brink GE	Councillor	Trustee of Babsita Family Trust; Trustee of BV Pretorius Family Trust; Trustee of Welda Du Toit Trust
Setlatjile KD	Councillor	Director of and 33% Interest in Servimark 133
De Villiers IA	Deputy Manager	20% Interest in AMS Haven 139; Director of and 20% Interest in Altmic Properties 55; Director of and 33,3% Interest in Romanesque Property Investments 49
Joubert WD	Deputy Manager	Son-in-Law is the owner of Diesel Power Truck Repairs CC
Tsebe KC	Divisional Head	Director of Grandorff Africa; Director of and 100% interest in K2012109033; Member of and 50% interest in Mafatseng Trading and Projects 82; Director of and 100% interest in Tholing Solutions
Molewa DM	Official (SCM)	100% Ownership in MBT Cosmetics
Maharala LA	Official	Director of and 100% Interest in Livestock Wealth; Director of and 50% Interest in S & T Ice Manufacturing Company
Nelushi M	Official	Director of and 100% Interest in Edmarex (Pty) Ltd

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016**  
**R**

**56.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	<b>Rates Charges R</b>	<b>Service Charges R</b>	<b>Sundry Charges R</b>	<b>Outstanding Balances R</b>
<b>For the Year ended 30 June 2017</b>				
Councillors	11 022	67 751	-	27 343
Municipal Manager and Section 57 Personnel	-	-	-	-
<b>Total Services</b>	<b>11 022</b>	<b>67 751</b>	<b>-</b>	<b>27 343</b>
<b>For the Year ended 30 June 2016</b>				
Councillors	32 617	152 775	133	15 263
Municipal Manager and Section 57 Personnel	2 657	1 174	-	340
<b>Total Services</b>	<b>35 275</b>	<b>153 949</b>	<b>133</b>	<b>15 604</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**56.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

**56.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 34, 35 and Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**2017**  
**R**                      **2016**  
**R**

**56.5 Purchases from Related Parties**

The municipality bought goods from the following companies, which are considered to be Related Parties:

<b>Company Name</b>	<b>Related Person</b>	<b>Company Capacity</b>	<b>Municipal Capacity</b>	<b>Purchases for the Year</b>	<b>Purchases for the Year</b>
Diesel Power Truck Repairs	Oosthuizen DP	Owner (In-law)	Official	1 658 271	1 658 271
<b>Total Purchases</b>				<b>1 658 271</b>	<b>1 658 271</b>

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>57 CONTINGENT LIABILITIES</b>		
<b>57.1 Court Proceedings:</b>	<b>130 218 990</b>	<b>51 908 932</b>
(i) Dispute on Water Account: The municipality is being sued by a consumer, Academy of Sports Excellence, for a dispute on their water account. The municipality is defending the claim based on legal advice. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from its Provision for Bad Debts. The municipality is proceeding with a debtor's claim of R860 000 against the plaintiff. A 3rd defendant was located and served with a summons, and entered defence. The original trial date was set for 17 November 2014. The outcome of the case is still uncertain.	96 000	96 000
(ii) Claim for Losses Sustained: A claim was received from Emang Development Projects CC for alleged losses sustained when the municipality terminated the contract they were working on grounds of non-performance. No progress has been made to date and a trial date is awaited. The outcome of the matter is still uncertain.	365 132	365 132
(iii) Repossession of Land: The municipality has cancelled a deed of sale due to non-compliance by the purchaser, Gov-Al Properties CC, and repossessed the portion of land. Gov-Al Properties CC is now suing the municipality in the High Court in order to get possession of the land again. The case was removed from the roll on 5 May 2008. Subsequently a summons was received and a trial date was set for 3 May 2011, which was postponed. The Plaintiff did not file replication and seems to have lost interest. The outcome of the case is still unknown.	817 513	817 513
(iv) Claim for Violation of Human Dignity: A claim was received from MS Bambo for the violation of his dignity. The municipality invited the claimant to an interview for a vacant position, but claimant was not appointed. An irregular step procedure has been taken as the Plaintiff did not provide an address within 8 km from Court. Subsequently, the municipality's attorney filed a Notice of Motion for Dismissal with costs. The return date was 30 August 2013. The outcome of the matter is still uncertain.	157 001	157 001
(v) Termination of Contract: The municipality is being sued by MA Ntjana Construction CC for termination of contract and contractual increases not paid. The case has been referred to the municipality's Attorney to defend. Heads of Arguments were filed during July 2013 and no further progress has been made since. The outcome of the matter is still uncertain.	10 100 000	10 100 000
(vi) Claim for Defamation: The municipality is being sued by MH Thobejane for termination of contract and defamation. Mr Thobejane's contract has been terminated after being found guilty to 26 cases of fraud. In terms of the Systems Act the Municipal Manager instituted action against Mr Thobejane in terms of which he cannot enter into employment at Local Government for 10 years because of misconduct. This is a counterclaim by Mr Tobejane on the municipality's claim against him to recover losses incurred because of the misconduct. The case has been referred to the municipality's Attorney to defend. Plaintiff's plea against counterclaim has been filed. The outcome of the matter is still uncertain.	30 341 632	30 341 632
(vii) Claim for 20% Refund of Purchases: The municipality is being sued individually by 29 persons for refund of 20% of the price of land purchased from the municipality. Land developed by the municipality was valued in 2008 and sold at such valuation plus 20%. Subsequently the market stagnated and during 2010/11 Council resolved to market the remaining land at original valuation. The people who previously purchased the land are now claiming back the 20% they paid in excess of the original valuation. The matters were referred to the municipality's Attorney to defend. The plaintiffs' plea against counterclaim have been filed. 9 Matters were heard in court on 31 January 2014. Cost orders in 8 matters were in favour of the municipality, whilst in the other case the costs were reserved. Subsequently all 9 matters were postponed <i>sine die</i> .	918 687	918 687

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
(viii) Claim for Services Rendered: A claim was received from J Molebatsi for services allegedly rendered, being hiring of sound system, and not paid for. The case has been postponed on request of the plaintiff. The matter has subsequently been finalised and the case was closed.	-	80 000
(ix) Claim for Services Rendered: A claim was received from Photo Luxury Tours for services allegedly rendered, being hiring of transport services, and not paid for. A trial date is awaited. The outcome of the matter is still uncertain.	71 000	71 000
(x) Claim for Storage Fees: The municipality is being sued by George Edward Morkel Brink and Others for storage costs of municipal vehicles for the period 01/03/2013 to 20/10/2013. The case has been referred to the municipality's Attorney to defend. Pleadings were exchanged which led to a pre-trial conference on 23/11/2016. The outcome of the matter is still uncertain.	30 153	30 153
(xi) Claim for Breach of Contract: A claim was received from Mmusho Security & Projects for breach of contract. The case has been enrolled for 20 October 2016. The matter was set down for arbitration but failed. The aggrieved will issue summons and the matter will proceed through High Court. Subsequently, the matter was settled by mutual agreement and settlement of R1 000 000 was paid.	-	1 141 090
(xii) Claim for Services Rendered: A claim was received from CSI Africa for services rendered, and not paid for. The case is in exchange of pleadings stage, and a plea has been filed. An application to compel the Plaintiff to file discovery affidavit is to be heard on 8 August 2017. The outcome of the matter is still uncertain.	376 256	376 256
(xiii) Claim for Damages Suffered: A claim was received from R Vigus for alleged damages suffered, caused by a pothole in the road. Subsequently, the Plaintiff withdrew the action and the case has been closed.	-	16 553
(xiv) Claim for Services Rendered: A claim was received from High Risk Reaction Unit for services rendered, and not paid for. D/J was erroneously granted and an order to rescind judgement was granted with costs against the Plaintiff. The outcome of the matter is still uncertain.	7 397 916	7 397 916
(xv) Claim for Storm Water Damages: A claim was received from MA Makhafole for alleged damages to the claimant's house when it was flooded due to poor storm water reticulation systems. The matter has been submitted to the municipality's Attorneys. The outcome of the matter is still uncertain.	3 500 000	-
(xvi) Claim for Damages Suffered: A claim was received from MP Tsebe for alleged damages suffered as a result of dismissal. Notice to defend was served and filed. The attorneys are currently busy with the pleadings. The outcome of the matter is still uncertain.	570 926	-
(xvii) Claim for Services Rendered: A claim was received from The Voice Press for services rendered, and not paid for. The case is in exchange of pleadings stage, and a plea has been served and filed. The outcome of the matter is still uncertain.	633 000	-
(xviii) Claim for Services Rendered: A claim was received from KTS General trading for services rendered, and not paid for. Plaintiff indicated intention of referring the matter for arbitration as per the agreement. The outcome of the matter is still uncertain.	1 626 856	-
(xix) Claim for Services Rendered: A claim was received from Mahlatsi Security CC for services rendered, and not paid for. Plaintiff indicated intention of referring the matter for arbitration as per the agreement. The outcome of the matter is still uncertain.	1 337 637	-

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
(xx) Claim for Damages Suffered: A claim was received from S&M Montani for alleged damages suffered as a result of a strike by municipal staff. The attorneys are in exchange of pleadings stage, and a plea has been filed. The outcome of the matter is still uncertain.	9 150 000	-
(xxi) Claim for Tender not Awarded: A claim was received from Bicacon for a tender that they were allegedly entitled to, not awarded to them. Notice to oppose was served and filed. The matter was set down for trial on 15 November 2016, and was struck from the roll. The outcome of the matter is still uncertain.	56 277 632	-
(xxii) Claim for Breach of Contract: A claim was received from Mmussho Security & Projects for breach of contract. Summons was received on 01/08/2017. The municipality is still busy with internal investigation into the matter. The outcome of the matter is still uncertain.	6 451 650	
(xxiii) Job Evaluation: Council resolved that a complete Job Evaluation Exercise must be performed to address the salary disparities for all staff. The outcome of the evaluation is still unknown and the effect thereof could not be estimated by management.	-	-

**57.2 Insurance Claims:**

	<u>623 925</u>	<u>5 581 463</u>
(i) Alleged Damages Incurred: Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.	623 925	5 581 463

**58 CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**59 IN-KIND DONATIONS AND ASSISTANCE**

The municipality received the following in-kind donations and assistance:

(i) Secondment of Acting Municipal Manager by Department of COGHTA for 4 months	411 666	205 833
(ii) Secondment of Acting Chief Financial Officer by Provincial Treasury for 12 months	1 608 455	697 333

**60 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**61 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

**62 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 46) and Prior Period Errors (Note 47).

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**63 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) On 06 June 2017 the Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**MOGALAKWENA MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>													
<i>Land:</i>													
Community Assets	2 408 511 678	-	4 501 108	-	-	2 413 012 786	-	-	-	-	-	2 413 012 786	-
Electricity Network	10 358 296	-	-	-	-	10 358 296	-	-	-	-	-	10 358 296	-
Roads & Storm Water Network	2 279 774	-	-	-	-	2 279 774	-	-	-	-	-	2 279 774	-
Sanitation Network	1	-	-	-	-	1	-	-	-	-	-	1	-
Water Network	223 787	-	-	-	-	223 787	-	-	-	-	-	223 787	-
Other Land - Social Housing	1 842 285	-	-	-	-	1 842 285	-	-	-	-	-	1 842 285	-
Other Land - Staff Housing	530 001	-	-	-	-	530 001	-	-	-	-	-	530 001	-
Other Land - Developed	83 356 220	-	-	-	(11 972 000)	71 384 220	-	-	-	-	-	71 384 220	-
Other Land - Undeveloped	21 500	-	-	-	-	21 500	-	-	-	-	-	21 500	-
<i>Buildings:</i>													
Ambulance / Fire Stations	1 134 814	-	-	-	-	1 134 814	286 047	847 925	-	-	1 133 972	842	-
Municipal Offices	47 065 513	-	-	-	-	47 065 513	14 273 052	9 134 853	-	-	23 407 904	23 657 609	-
Stores	15 912 291	-	-	-	-	15 912 291	6 469 527	742 007	-	-	7 211 534	8 700 756	-
Testing Stations	44 000	-	-	-	-	44 000	11 253	32 649	-	-	43 902	98	900 000
Workshops / Depots / Yards	15 687 381	-	-	-	-	15 687 381	5 053 662	1 694 048	-	-	6 747 710	8 939 672	6 000
Air Conditioning Systems	1 122 798	-	-	-	-	1 122 798	187 125	74 850	-	-	261 975	860 823	-
Security Systems	15 900	-	-	-	-	15 900	15 534	168	-	-	15 702	198	-
Social Housing	89 954	-	-	-	-	89 954	34 453	38 864	-	-	73 318	16 637	-
Office Buildings	-	-	23 710 364	-	-	23 710 364	-	-	-	-	-	23 710 364	15 496 080
	<b>2 588 196 193</b>	<b>-</b>	<b>28 211 473</b>	<b>-</b>	<b>(11 972 000)</b>	<b>2 604 435 665</b>	<b>26 330 652</b>	<b>12 565 364</b>	<b>-</b>	<b>-</b>	<b>38 896 017</b>	<b>2 565 539 649</b>	<b>16 402 080</b>
<b>Infrastructure</b>													
<i>Electricity:</i>													
Power Plants	-	-	414 978	-	-	414 978	-	-	-	-	-	414 978	-
HV Substations	71 714 513	-	9 152 933	-	-	80 867 446	21 993 322	6 126 905	-	-	28 120 227	52 747 219	1 791 678
HV Transmission Conductors	119 691	-	-	-	-	119 691	44 884	2 394	-	-	47 278	72 413	1 700 000
MV Substations	11 427 257	-	701 466	-	-	12 128 723	5 869 627	671 942	-	-	6 541 569	5 587 155	-
MV Networks	145 468 033	-	-	-	-	145 468 033	61 564 918	18 939 871	-	-	80 504 789	64 963 244	-
LV Networks	115 431 672	-	-	-	-	115 431 672	50 685 342	7 264 675	-	-	57 950 017	57 481 656	6 155 021
Capital Spares	(3 748 931)	-	2 906 985	3 748 931	-	2 906 985	-	-	-	-	-	2 906 985	24 143 036
High Mast Lights	82 187	-	2 580 074	-	-	2 662 260	32 060	8 240	-	-	40 300	2 621 960	5 897 000
Major Spare Parts in Inventory	2 026 679	-	-	6 506 752	-	8 533 431	-	-	-	-	-	8 533 431	-
<i>Roads and Transport:</i>													
Storm Water Networks:-													
Storm Water Conveyance	64 534 991	18 247 376	-	-	-	82 782 366	35 805 720	1 262 306	-	-	37 068 026	45 714 340	-
Road Networks:-													
Roads	997 787 059	198 288	-	-	-	997 985 347	496 475 100	148 945 702	-	-	645 420 802	352 564 545	-
Road Structures	8 222 650	-	-	-	-	8 222 650	4 789 693	841 608	-	-	5 631 301	2 591 348	-
Road Furniture	52 245 076	729 456	-	-	-	52 974 531	26 250 125	9 711 863	-	-	35 961 988	17 012 544	-
Road Furniture (Lights, Signs, etc)	(4 991 996)	4 991 996	-	-	-	-	-	-	-	-	-	-	5 025 000
Roads: Asphalt	(188 712)	-	29 978 604	188 712	-	29 978 604	-	-	-	-	-	29 978 604	28 477 262
Stormwater	-	-	0	-	-	0	-	-	-	-	-	0	7 000 000
Roads Infrastructure	-	-	10 999 825	-	-	10 999 825	-	-	-	-	-	10 999 825	-
Roads Infrastructure	-	-	1 643 307	-	-	1 643 307	-	-	-	-	-	1 643 307	-
Roads Infrastructure	-	-	153 845	-	-	153 845	-	-	-	-	-	153 845	-
Roads Infrastructure	-	-	159 110	-	-	159 110	-	-	-	-	-	159 110	-

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Sanitation:</i>													
Landfill Sites	16 328 862	(296 483)	-	-	-	16 032 379	7 824 700	4 373 839	-	-	12 198 539	3 833 840	-
Waste Transfer Stations	1 632 518	-	-	-	-	1 632 518	712 109	87 321	-	-	799 430	833 088	-
<i>Sewerage:</i>													
Pump Stations	2 982 757	35 332	65 881 419	-	-	68 899 507	766 323	76 954	-	-	843 277	68 056 230	5 638 475
Reticulation	59 330 613	-	-	-	-	59 330 613	8 614 458	6 338 742	-	-	14 953 200	44 377 413	-
Waste Water Treatment Plants	10 307 692	-	-	-	-	10 307 692	2 104 578	316 045	-	-	2 420 624	7 887 069	-
Toilet Facilities	150 813	-	-	-	-	150 813	51 314	56 569	-	-	107 883	42 930	2 269 982
Sewerage Network	30 072	-	-	-	-	30 072	3 759	1 880	-	-	5 639	24 434	35 332
Sewerage Network	-	-	3 962 609	-	-	3 962 609	-	-	-	-	-	3 962 609	-
Sewerage Network	(2 989 616)	-	-	2 989 616	-	-	-	-	-	-	-	-	-
Sewerage Network	875 219	-	124 753 404	-	-	125 628 623	-	-	-	-	-	125 628 623	88 766 651
<i>Water:</i>													
Boreholes	100 452 705	301 829	-	114 330	-	100 868 863	30 327 743	8 185 121	-	-	38 512 864	62 355 999	-
Reservoirs	292 765 338	108 314	-	-	-	292 873 652	97 404 861	9 553 604	-	-	106 958 465	185 915 188	-
Pump Stations	(30 568 154)	144 972	553 616 848	38 221 552	-	561 415 218	1 565 481	243 835	-	-	1 809 316	559 605 901	250 427 733
Water Treatment Works	5 311 384	-	-	-	-	5 311 384	262 914	86 549	-	-	349 463	4 961 921	-
Bulk Mains	1 649 525 854	48 084	-	8 226 516	-	1 657 800 454	396 869 574	8 343 989	-	-	405 213 562	1 252 586 892	-
Distribution	447 998 196	956 534	167 037 056	-	-	615 991 785	76 277 496	23 863 610	-	-	100 141 106	515 850 679	-
Water Networks	(40 956)	-	-	40 956	-	-	-	-	-	-	-	-	-
Water Networks	(308 069)	-	-	308 069	-	-	-	-	-	-	-	-	-
Water Networks	-	-	417 424	-	-	417 424	-	-	-	-	-	417 424	-
Major Spare Parts in Inventory	109 602	-	-	10 928	-	120 530	-	-	-	-	-	120 530	-
	<b>4 014 025 001</b>	<b>25 465 697</b>	<b>974 359 886</b>	<b>60 356 361</b>	-	<b>5 074 206 945</b>	<b>1 326 296 102</b>	<b>255 303 564</b>	-	-	<b>1 581 599 666</b>	<b>3 492 607 279</b>	<b>427 327 170</b>
<b>Community Assets</b>													
<i>Sports Facilities:</i>													
Indoor Facilities	122 772	-	-	-	-	122 772	46 449	2 215	-	-	48 664	74 109	-
Outdoor Facilities	92 654 496	39 000	22 159 083	-	-	114 852 579	37 048 215	6 363 462	-	-	43 411 677	71 440 902	-
Sport and Recreational Facilities	-	-	14 772 771	-	-	14 772 771	-	-	-	-	-	14 772 771	-
Stadiums	(8 923 574)	-	6 153 386	8 923 574	-	6 153 386	-	-	-	-	-	6 153 386	24 897 682
<i>Other Facilities:</i>													
Cemeteries / Crematoriums	8 187 750	609 700	-	-	-	8 797 450	3 990 732	695 142	-	-	4 685 874	4 111 576	800 000
Clinics	5 121 393	-	-	-	-	5 121 393	1 820 600	253 549	-	-	2 074 149	3 047 244	-
Creches / Care Centres	557 241	-	-	-	-	557 241	205 031	49 967	-	-	254 998	302 243	-
Halls / Centres	63 843 096	54 841	-	-	-	63 897 937	22 231 161	14 489 806	-	-	36 720 966	27 176 971	1 500 000
Libraries	83 204 335	95 000	-	-	-	83 299 335	29 121 884	29 796 239	-	-	58 918 123	24 381 212	250 000
Markets / Stalls / Shops	20 479 242	-	-	-	-	20 479 242	7 065 338	9 398 276	-	-	16 463 615	4 015 627	-
Museums / Galleries / Theatres	2 621 164	-	-	-	-	2 621 164	998 060	366 342	-	-	1 364 402	1 256 762	-
Parks	3 274 408	-	-	-	-	3 274 408	1 870 339	148 745	-	-	2 019 084	1 255 324	-
Public Open Spaces	129 813	-	-	-	-	129 813	53 039	66 429	-	-	119 468	10 345	-
Taxi Ranks / Parking / Bus Termina	2 850 792	-	-	-	-	2 850 792	990 468	144 757	-	-	1 135 225	1 715 567	-
	<b>274 122 927</b>	<b>798 541</b>	<b>43 085 239</b>	<b>8 923 574</b>	-	<b>326 930 282</b>	<b>105 441 316</b>	<b>61 774 928</b>	-	-	<b>167 216 244</b>	<b>159 714 038</b>	<b>27 447 682</b>



**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Other Assets</b>													
<i>Computer Equipment:</i>													
Computer Hardware	11 213 689	2 072 702	-	-	-	13 286 391	8 786 405	889 384	-	-	9 675 788	3 610 603	4 070 998
Computer Networks	669 223	-	-	-	-	669 223	167 324	69 870	-	-	237 195	432 028	3 200 000
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	75 030	-	-	-	-	75 030	46 262	4 729	-	-	50 991	24 039	65 000
Fire Fighting Equipment	7 059	-	-	-	-	7 059	4 948	609	-	-	5 557	1 502	20 000
Medical and Allied Equipment	125 838	-	-	-	-	125 838	119 536	1 981	-	-	121 517	4 321	-
<i>Furniture and Fittings:</i>													
Advertising Boards	2 814	-	-	-	-	2 814	2 177	495	-	-	2 673	142	-
Domestic and Hostel Furniture	39 095	-	-	-	-	39 095	6 292	2 533	-	-	8 825	30 270	50 000
Other Furniture	7 101 709	104 584	-	-	-	7 206 293	4 712 333	603 616	-	-	5 315 949	1 890 344	1 547 600
<i>Motor Vehicles:</i>													
Motor Vehicles	3 173 186	-	-	-	-	3 173 186	735 528	501 847	-	-	1 237 376	1 935 810	3 000
Trailers & Accessories	368 000	-	-	-	-	368 000	101 463	60 983	-	-	162 446	205 554	-
Trucks	33 154 594	2 438 707	-	-	-	35 593 301	20 180 110	2 960 364	-	-	23 140 474	12 452 827	1 050 000
Trailers	702 254	24 975	-	-	-	727 229	409 060	56 461	-	-	465 521	261 709	104 000
Trucks and Bakkies	19 044 565	2 172 106	-	-	-	21 216 671	11 581 301	2 188 567	-	-	13 769 868	7 446 804	8 250 000
Satellite Tracking Equipment	71 534	-	-	-	-	71 534	42 407	8 180	-	-	50 588	20 947	-
<i>Office Equipment:</i>													
Air Conditioners	-	13 000	-	-	-	13 000	-	1 083	-	-	1 083	11 917	-
Audiovisual Equipment	121 514	-	-	-	-	121 514	49 896	6 084	-	-	55 979	65 535	-
Cellular Phones	822	-	-	-	-	822	709	38	-	-	747	75	-
Chains, Decorations & Robes	87 000	-	-	-	-	87 000	12 783	1 425	-	-	14 208	72 792	-
Domestic Equipment	157 417	-	-	-	-	157 417	86 760	25 292	-	-	112 053	45 364	38 000
Library Books	1 228 788	-	-	-	-	1 228 788	983 031	245 758	-	-	1 228 788	-	-
Other Office Equipment	4 220 346	51 282	-	-	-	4 271 628	3 271 840	235 597	-	-	3 507 437	764 191	1 201 176
Paintings and Sculptures	63 218	-	-	-	-	63 218	36 552	2 020	-	-	38 572	24 646	-
Library Books	8 078 703	-	-	-	-	8 078 703	6 450 492	600 165	-	-	7 050 656	1 028 047	-
<i>Plant and Equipment:</i>													
Electric Wire and Power Tools	112 512	-	-	-	-	112 512	57 764	13 242	-	-	71 006	41 506	-
Farm / Agriculture Equipment	726 588	-	-	-	-	726 588	277 432	50 401	-	-	327 833	398 755	-
Gardening Equipment	1 758 815	-	-	-	-	1 758 815	1 293 203	188 214	-	-	1 481 417	277 398	-
Kitchen Appliances	124 616	-	-	-	-	124 616	73 940	7 704	-	-	81 644	42 972	110 000
Laboratory Equipment - Agriculture	3 900	-	-	-	-	3 900	3 795	38	-	-	3 833	67	-
Laboratory Equipment - Medical	234 344	-	-	-	-	234 344	91 187	30 683	-	-	121 870	112 474	-
Pumps / Plumbing / Purification Equipment	244 763	-	-	-	-	244 763	133 822	24 227	-	-	158 049	86 714	-
Radio Equipment	530 289	76 750	-	-	-	607 039	439 240	30 850	-	-	470 091	136 948	120 000
Road Construction Equipment	20 506 719	1 633 420	-	-	-	22 140 139	3 305 178	1 414 187	-	-	4 719 364	17 420 774	-
Security Equipment	765 398	-	-	-	-	765 398	589 582	121 428	-	-	711 010	54 389	-
Surveying Equipment	434 639	-	-	-	-	434 639	159 208	42 702	-	-	201 910	232 729	-
Telecommunication Equipment	11 100	-	-	-	-	11 100	2 114	1 691	-	-	3 806	7 294	-
Tents, Flags & Accessories	382 655	-	-	-	-	382 655	311 411	28 516	-	-	339 927	42 728	-
Workshop Equipment - Fixed	439 430	-	-	-	-	439 430	237 292	50 534	-	-	287 827	151 603	700 000
Workshop Equipment - Movable	3 097 899	-	-	-	-	3 097 899	2 466 252	264 090	-	-	2 730 342	367 557	4 615 000
Other Plant and Equipment	3 445 595	244 600	-	-	-	3 690 195	2 378 021	387 162	-	-	2 765 183	925 012	1 301 865
	<b>122 525 664</b>	<b>8 832 126</b>	-	-	-	<b>131 357 790</b>	<b>69 606 649</b>	<b>11 122 752</b>	-	-	<b>80 729 401</b>	<b>50 628 389</b>	<b>26 446 639</b>
<b>Total</b>	<b>6 998 869 785</b>	<b>35 096 364</b>	<b>1 045 656 598</b>	<b>69 279 935</b>	<b>(11 972 000)</b>	<b>8 136 930 682</b>	<b>1 527 674 720</b>	<b>340 766 608</b>	-	-	<b>1 868 441 328</b>	<b>6 268 489 354</b>	<b>497 623 571</b>
						0.00					0.00	0.00	



**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Investment Properties</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Improved Property	8 317 991	-	-	-	-	8 317 991	5 649 374	303 520	-	-	5 952 894	2 365 097	-
Unimproved Property	32 994 328	-	-	-	-	32 994 328	-	-	-	-	-	32 994 328	(10 417 466)
	<b>41 312 319</b>	-	-	-	-	<b>41 312 319</b>	<b>5 649 374</b>	<b>303 520</b>	-	-	<b>5 952 894</b>	<b>35 359 425</b>	<b>(10 417 466)</b>
						0.00							

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Intangible Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Servitudes - Electricity Network	-	51 114	-	-	-	51 114	-	3 408	-	-	3 408	47 706	880 000
Servitudes - Road Access	6 938 095	625 990	-	-	-	7 564 085	5 157 268	469 432	-	-	5 626 699	1 937 386	-
	<b>6 938 095</b>	<b>677 104</b>	-	-	-	<b>7 615 200</b>	<b>5 157 268</b>	<b>472 839</b>	-	-	<b>5 630 107</b>	<b>1 985 093</b>	<b>880 000</b>
						0.00							

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 42186
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Heritage Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
National Parks	5 736 139	-	-	-	-	5 736 139	-	-	-	-	-	5 736 139	-
Recreational Parks	51	-	-	-	-	51	-	-	-	-	-	51	-
Wetlands	152	-	-	-	-	152	-	-	-	-	-	152	-
	<b>5 736 342</b>	-	-	-	-	<b>5 736 342</b>	-	-	-	-	-	<b>5 736 342</b>	-
						0.00							
<b>Total Asset Register</b>	<b>7 052 856 541</b>	<b>35 773 469</b>	<b>1 045 656 598</b>	<b>69 279 935</b>	<b>(11 972 000)</b>	<b>8 191 594 543</b>	<b>1 538 481 362</b>	<b>341 542 967</b>	-	-	<b>1 880 024 329</b>	<b>6 311 570 214</b>	<b>488 086 105</b>

**APPENDIX C**  
**MOGALAKWENA MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	7 053 333	-	-	-	-	7 053 333	5 107 124	367 711	-	-	5 474 835	1 578 497
Budget and Treasury Office	6 031 874	79 572	-	-	-	6 111 446	5 141 434	252 734	-	-	5 394 168	717 278
Corporate Services	2 699 987 667	2 833 348	28 211 473	-	(11 972 000)	2 719 060 488	58 226 028	34 731 901	-	-	92 957 929	2 626 102 559
Community and Social Services	106 280 233	943 723	-	-	-	107 223 956	43 329 835	32 101 157	-	-	75 430 992	31 792 964
Public Safety	7 983 745	246 217	159 110	-	-	8 389 071	4 932 515	1 440 378	-	-	6 372 893	2 016 178
Sport and Recreation	94 360 516	2 368 645	43 085 239	8 923 574	-	148 737 974	43 348 303	7 337 407	-	-	50 685 710	98 052 264
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	5 678 634	-	-	-	-	5 678 634	2 025 632	303 516	-	-	2 329 147	3 349 486
Environmental Protection	449 683	-	-	-	-	449 683	282 290	52 700	-	-	334 990	114 693
Planning and Development	2 030 471	26 073	-	-	-	2 056 543	1 590 704	119 188	-	-	1 709 892	346 652
Roads and Transport	1 148 414 441	24 167 115	42 775 581	188 712	-	1 215 545 850	574 024 030	163 251 549	-	-	737 275 579	478 270 270
Electricity	355 738 388	61 217	15 756 436	10 255 683	-	381 811 724	147 461 904	34 375 846	-	-	181 837 749	199 973 975
Waste Management	27 189 002	3 379 082	-	-	-	30 568 084	15 114 531	5 279 588	-	-	20 394 119	10 173 966
Waste Water Management	78 226 022	38 827	194 597 432	2 989 616	-	275 851 896	14 421 487	7 138 755	-	-	21 560 242	254 291 653
Water	2 513 277 408	1 629 650	721 071 328	46 922 350	-	3 282 900 736	623 368 819	54 778 712	-	-	678 147 532	2 604 753 204
Other	155 125	-	-	-	-	155 125	106 727	11 825	-	-	118 551	36 574
<b>Total</b>	<b>7 052 856 541</b>	<b>35 773 469</b>	<b>1 045 656 598</b>	<b>69 279 935</b>	<b>(11 972 000)</b>	<b>8 191 594 543</b>	<b>1 538 481 362</b>	<b>341 542 967</b>	<b>-</b>	<b>-</b>	<b>1 880 024 329</b>	<b>6 311 570 214</b>

**APPENDIX D**  
**MOGALAKWENA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					<b>Municipal Governance and Administration</b>					
367 698 769	355 718 054	126 910 104	109 248 018	240 788 665	Executive and Council	373 558 874	358 236 655	101 196 214	117 027 654	272 362 660
74 870 735	61 793 158	15 337 897	22 081 088	59 532 838	Budget and Treasury Office	76 572 788	70 285 220	45 008 120	40 115 025	31 564 668
37 342 886	37 013 649	83 989 687	97 665 276	(46 646 802)	Corporate Services	916 683	33 175 087	111 986 472	139 022 285	(111 069 788)
					<b>Community and Public Safety</b>					
363 797	433 277	11 703 861	13 242 354	(11 340 065)	Community and Social Services	352 248	759 826	42 758 625	12 901 730	(42 406 377)
10 310 048	8 600 637	26 896 292	28 327 456	(16 586 245)	Public Safety	10 469 032	13 640 375	28 449 153	27 703 076	(17 980 121)
22 590 789	21 126 415	12 211 458	12 501 044	10 379 330	Sport and Recreation	24 103 245	25 171 814	17 996 279	14 018 826	6 106 966
147 248	149 754	170 813	188 935	(23 565)	<b>Housing</b>	153 922	158 740	154 630	160 205	(708)
-	-	19 277	50 188	(19 277)	<b>Health</b>	-	-	322 701	27 207	(322 701)
					<b>Economic and Environmental Services</b>					
4 325	-	1 945 627	2 379 551	(1 941 302)	Environmental Protection	4 191	-	2 321 803	2 680 255	(2 317 612)
767 003	470 623	19 357 259	23 847 926	(18 590 256)	Planning and Development	617 047	648 860	20 424 760	24 106 004	(19 807 714)
44 932 991	40 532 071	116 714 589	129 459 978	(71 781 597)	Roads and Transport	33 078 566	36 128 702	289 126 932	152 700 240	(256 048 366)
					<b>Trading Services</b>					
227 958 818	234 678 201	204 255 989	215 577 642	23 702 829	Electricity	275 866 487	271 349 735	286 145 131	247 556 776	(10 278 644)
15 570 453	17 346 872	29 814 720	44 245 682	(14 244 267)	Waste Management	13 160 970	20 426 435	33 094 536	33 386 908	(19 933 566)
40 087 543	40 306 435	26 474 796	27 765 093	13 612 747	Waste Water Management	27 750 262	36 305 885	21 440 770	19 960 063	6 309 492
398 598 218	356 419 068	185 860 798	167 622 790	212 737 420	Water	274 608 058	334 398 644	226 061 782	192 253 556	48 546 276
-	-	1 682 432	2 684 006	(1 682 432)	<b>Other</b>	-	-	1 632 402	2 080 893	(1 632 402)
<b>1 241 243 622</b>	<b>1 174 588 214</b>	<b>863 345 599</b>	<b>896 887 027</b>	<b>377 898 023</b>	Sub-Total	<b>1 111 212 372</b>	<b>1 200 685 978</b>	<b>1 228 120 310</b>	<b>1 025 700 703</b>	<b>(116 907 938)</b>
					Revenue Foregone					
<b>1 241 243 622</b>	<b>1 174 588 214</b>	<b>863 345 599</b>	<b>896 887 027</b>	<b>377 898 023</b>	Total	<b>1 111 212 372</b>	<b>1 200 685 978</b>	<b>1 228 120 310</b>	<b>1 025 700 703</b>	<b>(116 907 938)</b>

**APPENDIX E(1)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE - STANDARD</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Governance and Administration:</b>															
Executive and Council	355 118 655	3 118 000	358 236 655	-	-	358 236 655	373 558 874	-	15 322 219	104.28	105.19				367 698 769
Budget and Treasury Office	67 334 220	2 951 000	70 285 220	-	-	70 285 220	76 572 788	-	6 287 568	108.95	113.72				74 870 735
Corporate Services	33 044 087	131 000	33 175 087	-	-	33 175 087	916 683	-	(32 258 404)	2.76	2.77				37 342 886
<b>Community and Public Safety:</b>															
Community and Social Services	759 826	-	759 826	-	-	759 826	352 248	-	(407 578)	46.36	46.36				363 797
Sport and Recreation	22 707 516	2 464 298	25 171 814	-	-	25 171 814	24 103 245	-	(1 068 569)	95.75	106.15				22 590 789
Public Safety	18 640 375	-	18 640 375	-	-	18 640 375	10 469 032	-	(8 171 343)	56.16	56.16				10 310 048
Housing	158 740	-	158 740	-	-	158 740	153 922	-	(4 818)	96.96	96.96				147 248
Health	-	-	-	-	-	-	-	-	-	0.00	0.00				-
<b>Economic and Environmental Services:</b>															
Planning and Development	498 860	150 000	648 860	-	-	648 860	617 047	-	(31 813)	95.10	123.69				767 003
Road Transport	41 649 737	(5 521 035)	36 128 702	-	-	36 128 702	33 078 566	-	(3 050 136)	91.56	79.42				44 932 991
Environmental Protection	-	-	-	-	-	-	4 191	-	4 191	0.00	0.00				4 325
<b>Trading Services:</b>															
Electricity	260 071 666	6 278 069	266 349 735	-	-	266 349 735	275 866 487	-	9 516 752	103.57	106.07				227 958 818
Water	310 353 225	8 835 117	319 188 342	-	15 210 302	334 398 644	274 608 058	-	(59 790 586)	82.12	88.48				398 598 218
Waste Water Management	38 884 265	(2 578 380)	36 305 885	-	-	36 305 885	27 750 262	-	(8 555 623)	76.43	71.37				40 087 543
Waste Management	19 126 435	1 300 000	20 426 435	-	-	20 426 435	13 160 970	-	(7 265 465)	64.43	68.81				15 570 453
<b>Other:</b>															
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00				-
<b>Total Revenue - Standard</b>	<b>1 168 347 607</b>	<b>17 128 069</b>	<b>1 185 475 676</b>	<b>-</b>	<b>15 210 302</b>	<b>1 200 685 978</b>	<b>1 111 212 372</b>	<b>-</b>	<b>(89 473 606)</b>	<b>92.55</b>	<b>95.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 241 243 622</b>
<b>EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	116 198 520	7 191 939	123 390 459	-	(6 362 805)	117 027 654	101 196 214	-	(15 831 440)	86.47	87.09				126 910 104
Budget and Treasury Office	24 461 816	19 564 844	44 026 660	-	(3 911 635)	40 115 025	45 008 120	-	4 893 095	112.20	183.99				15 337 897
Corporate Services	120 580 065	19 236 068	139 816 133	-	(793 848)	139 022 285	111 986 472	-	(27 035 813)	80.55	92.87				83 989 687
<b>Community and Public Safety:</b>															
Community and Social Services	16 010 749	(1 256 138)	14 754 611	-	(1 852 881)	12 901 730	42 758 625	-	29 856 895	331.42	267.06				11 703 861
Sport and Recreation	14 591 423	(1 189 720)	13 401 703	-	617 123	14 018 826	17 996 279	-	3 977 453	128.37	123.33				12 211 458
Public Safety	31 767 491	549 855	32 317 346	-	(1 475 368)	30 841 978	30 977 492	-	135 514	100.44	97.51				29 486 379
Housing	1 576 178	10 000	1 586 178	-	(586 473)	999 705	807 335	-	(192 370)	80.76	51.22				819 417
Health	288 516	(90 045)	198 471	-	(171 264)	27 207	322 701	-	295 494	1 186.09	111.85				19 277
<b>Economic and Environmental Services:</b>															
Planning and Development	29 021 162	421 078	29 442 240	-	(5 336 236)	24 106 004	20 424 760	-	(3 681 244)	84.73	70.38				19 357 259
Road Transport	55 291 986	40 013 044	95 305 030	-	57 395 210	152 700 240	289 126 932	-	136 426 692	189.34	522.91				116 714 589
Environmental Protection	2 700 761	51 003	2 751 764	-	(71 509)	2 680 255	2 321 803	-	(358 452)	86.63	85.97				1 945 627
<b>Trading Services:</b>															
Electricity	255 837 827	7 720 516	263 558 343	-	(19 140 469)	244 417 874	283 616 791	-	39 198 917	116.04	110.86				201 665 901
Water	131 164 905	41 768 432	172 933 337	-	19 320 219	192 253 556	226 061 782	-	33 808 226	117.59	172.35				185 860 798
Waste Water Management	18 268 837	(1 480 072)	16 788 765	-	3 171 298	19 960 063	21 440 770	-	1 480 707	107.42	117.36				26 474 796
Waste Management	29 441 618	4 485 040	33 926 658	-	(539 750)	33 386 908	33 094 536	-	(292 372)	99.12	112.41				29 814 720
<b>Other:</b>															
Tourism	1 322 590	(35 000)	1 287 590	-	(46 197)	1 241 393	979 697	-	(261 696)	78.92	74.07				1 033 828
<b>Total Expenditure - Standard</b>	<b>848 524 444</b>	<b>136 960 844</b>	<b>985 485 288</b>	<b>-</b>	<b>40 215 415</b>	<b>1 025 700 703</b>	<b>1 228 120 310</b>	<b>-</b>	<b>202 419 607</b>	<b>119.73</b>	<b>144.74</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>863 345 599</b>
<b>Surplus/(Deficit) for the year</b>	<b>319 823 163</b>	<b>(119 832 775)</b>	<b>199 990 388</b>	<b>-</b>	<b>(25 005 113)</b>	<b>174 985 275</b>	<b>(116 907 938)</b>	<b>-</b>	<b>(291 893 213)</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377 898 023</b>

**APPENDIX E (2)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE BY VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Vote 1 - EXECUTIVE AND COUNCIL	355 118 655	3 118 000	358 236 655	-	-	358 236 655	373 558 874	-	15 322 219	104.28	105.19				367 698 769
Vote 2 - FINANCE DEPARTMENT	67 334 220	2 951 000	70 285 220	-	-	70 285 220	76 572 788	-	6 287 568	108.95	113.72				74 870 735
Vote 3 - CORPORATE SERVICES	28 243 304	131 000	28 374 304	-	-	28 374 304	1 098 105	-	(27 276 199)	3.87	3.89				32 539 770
Vote 4 - COMMUNITY SERVICES	42 497 814	3 764 298	46 262 112	-	-	46 262 112	37 503 015	-	(8 759 097)	81.07	88.25				38 415 713
Vote 5 - DEVELOPMENT SERVICES	237	-	237	-	-	237	62 640	-	62 403	26 430.43	26 430.43				20 699
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	22 079 389	-	22 079 389	-	-	22 079 389	19 011 959	-	(3 067 430)	86.11	86.11				18 118 703
Vote 7 - ELECTRICAL	260 074 638	6 278 069	266 352 707	-	-	266 352 707	275 866 494	-	9 513 787	103.57	106.07				227 958 997
Vote 8 - TECHNICAL SERVICES	392 999 350	885 702	393 885 052	-	15 210 302	409 095 354	327 538 499	-	(81 556 855)	80.06	83.34				481 620 237
Total Revenue by Vote	1 168 347 607	17 128 069	1 185 475 676	-	15 210 302	1 200 685 978	1 111 212 372	-	(89 473 606)	92.55	95.11	-	-	-	1 241 243 622
EXPENDITURE BY VOTE															
Vote 1 - EXECUTIVE AND COUNCIL	116 198 520	7 191 939	123 390 459	-	(6 362 805)	117 027 654	101 196 214	-	(15 831 440)	86.47	87.09				126 910 104
Vote 2 - FINANCE DEPARTMENT	24 461 816	19 564 844	44 026 660	-	(3 911 635)	40 115 025	45 008 120	-	4 893 095	112.20	183.99				15 337 897
Vote 3 - CORPORATE SERVICES	67 610 241	1 231 959	68 842 200	-	(6 637 463)	62 204 737	59 273 441	-	(2 931 296)	95.29	87.67				28 224 566
Vote 4 - COMMUNITY SERVICES	60 918 051	1 660 139	62 578 190	-	(1 915 997)	60 662 193	94 751 933	-	34 089 740	156.20	155.54				54 222 932
Vote 5 - DEVELOPMENT SERVICES	28 298 110	493 932	28 792 042	-	(5 877 929)	22 914 113	19 104 772	-	(3 809 342)	83.38	67.51				16 589 193
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	52 355 634	15 342 765	67 698 399	-	7 408 231	75 106 630	74 206 284	-	(900 346)	98.80	141.74				62 637 829
Vote 7 - ELECTRICAL	284 179 800	8 330 457	292 510 257	-	(19 580 469)	272 929 788	290 068 515	-	17 138 727	106.28	102.07				223 821 636
Vote 8 - TECHNICAL SERVICES	214 502 272	83 144 809	297 647 081	-	77 093 482	374 740 563	544 511 031	-	169 770 468	145.30	253.85				335 601 444
Total Expenditure by Vote	848 524 444	136 960 844	985 485 288	-	40 215 415	1 025 700 703	1 228 120 310	-	202 419 607	119.73	144.74	-	-	-	863 345 599
Surplus/(Deficit) for the year	319 823 163	(119 832 775)	199 990 388	-	(25 005 113)	174 985 275	(116 907 938)	-	(291 893 213)	0.00	0.00	-	-	-	377 898 023



**APPENDIX E (3)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>															
Property Rates	59 966 712	2 801 000	62 767 712	-	-	62 767 712	59 618 321	-	(3 149 391)	94.98	99.42	-	-	-	55 459 979
Service Charges - Electricity	240 874 290	5 527 900	246 402 190	-	-	246 402 190	222 069 079	-	(24 333 111)	90.12	92.19	-	-	-	212 966 800
Service Charges - Water	68 194 863	700 000	68 894 863	-	-	68 894 863	52 567 511	-	(16 327 352)	76.30	77.08	-	-	-	58 101 308
Service Charges - Sanitation	18 216 738	2 500 000	20 716 738	-	-	20 716 738	16 828 557	-	(3 888 181)	81.23	92.38	-	-	-	14 316 791
Service Charges - Refuse	15 739 988	1 300 000	17 039 988	-	-	17 039 988	13 160 970	-	(3 879 018)	77.24	83.61	-	-	-	12 110 362
Rental of Facilities and Equipment	1 145 375	-	1 145 375	-	-	1 145 375	1 821 148	-	675 773	159.00	159.00	-	-	-	571 872
Interest Earned - External Investments	33 056 564	600 000	33 656 564	-	-	33 656 564	31 114 322	-	(2 542 242)	92.45	94.12	-	-	-	38 940 023
Interest Earned - Outstanding Debtors	2 968 107	-	2 968 107	-	-	2 968 107	10 686 636	-	7 718 529	360.05	360.05	-	-	-	16 228 989
Fines	6 419 964	-	6 419 964	-	-	6 419 964	2 286 246	-	(4 133 718)	35.61	35.61	-	-	-	3 163 638
Licences and Permits	78 665	-	78 665	-	-	78 665	85 605	-	6 940	108.82	108.82	-	-	-	77 531
Agency Services	8 751 582	-	8 751 582	-	-	8 751 582	8 889 834	-	138 252	101.58	101.58	-	-	-	8 125 789
Transfers Recognised - Operational	447 443 699	(195 438 405)	252 005 294	-	15 210 302	267 215 596	362 295 469	-	95 079 873	135.58	80.97	-	-	-	785 527 338
Other Revenue	2 895 909	2 431 000	5 326 909	-	-	5 326 909	14 304 662	-	8 977 753	268.54	493.96	-	-	-	3 971 309
Gains on Disposal of PPE	27 100 000	-	27 100 000	-	-	27 100 000	(875 808)	-	(27 975 808)	0.00	0.00	-	-	-	31 681 893
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>932 852 456</b>	<b>(179 578 505)</b>	<b>753 273 951</b>	<b>-</b>	<b>15 210 302</b>	<b>768 484 253</b>	<b>794 852 551</b>	<b>-</b>	<b>26 368 298</b>	<b>103.43</b>	<b>85.21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 241 243 622</b>
<b>Expenditure</b>															
Employee Related Costs	279 954 735	(1 260 458)	278 694 277	-	(30 990 000)	247 704 277	213 836 628	-	(33 867 649)	86.33	76.38	-	-	-	213 228 681
Remuneration of Councillors	21 086 102	400 000	21 486 102	-	-	21 486 102	19 928 433	-	(1 557 669)	92.75	94.51	-	-	-	19 703 859
Debt Impairment	44 000 000	-	44 000 000	-	-	44 000 000	37 233 035	-	(6 766 965)	84.62	84.62	-	-	-	79 293 475
Depreciation and Asset Impairment	71 313 450	-	71 313 450	-	(9 457 304)	61 856 146	341 542 967	279 686 821	279 686 821	552.16	478.93	-	-	-	85 097 825
Finance Charges	-	-	-	-	-	-	223 917	223 917	223 917	0.00	0.00	-	-	-	271 023
Bulk Purchases	213 190 336	-	213 190 336	-	(2 139 262)	211 051 074	211 016 811	-	(34 263)	99.98	98.98	-	-	-	196 551 593
Other Materials	60 597 036	76 277 115	136 874 151	-	83 446 829	220 320 980	214 811 923	-	(5 509 057)	97.50	354.49	-	-	-	120 857 876
Contracted Services	62 941 281	27 603 340	90 544 621	-	3 200 028	93 744 649	60 246 359	-	(33 498 290)	64.27	95.72	-	-	-	28 844 404
Transfers and Grants	31 289 754	1 589 078	32 878 832	-	(4 520 619)	28 358 213	31 725 504	3 367 291	3 367 291	111.87	101.39	-	-	-	27 619 201
Other Expenditure	64 151 750	32 351 769	96 503 519	-	675 743	97 179 262	97 554 732	375 470	375 470	100.39	152.07	-	-	-	91 512 945
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	364 717
<b>Total Expenditure</b>	<b>848 524 444</b>	<b>136 960 844</b>	<b>985 485 288</b>	<b>-</b>	<b>40 215 415</b>	<b>1 025 700 703</b>	<b>1 228 120 310</b>	<b>283 653 499</b>	<b>202 419 607</b>	<b>119.73</b>	<b>144.74</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>863 345 599</b>
<b>Surplus/(Deficit)</b>	<b>84 328 012</b>	<b>(316 539 349)</b>	<b>(232 211 337)</b>	<b>-</b>	<b>(25 005 113)</b>	<b>(257 216 450)</b>	<b>(433 267 758)</b>	<b>(283 653 499)</b>	<b>(176 051 308)</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377 898 023</b>
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	-	432 201 725	316 359 821	-	(115 841 904)	73.20	134.34	-	-	-	-
<b>Surplus/(Deficit) for the Year</b>	<b>319 823 163</b>	<b>(119 832 775)</b>	<b>199 990 388</b>	<b>-</b>	<b>(25 005 113)</b>	<b>174 985 275</b>	<b>(116 907 938)</b>	<b>(283 653 499)</b>	<b>(291 893 213)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377 898 023</b>

**APPENDIX E(4)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>CAPITAL EXPENDITURE - VOTE</b>	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Multi-year Expenditure</b>															
Vote 1 - EXECUTIVE AND COUNCIL		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 2 - FINANCE DEPARTMENT		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 3 - CORPORATE SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 5 - DEVELOPMENT SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 7 - ELECTRICAL		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 8 - TECHNICAL SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
<b>Total Capital Expenditure - Multi-year</b>	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Single-year Expenditure</b>															
Vote 1 - EXECUTIVE AND COUNCIL	231 000	(91 000)	140 000	-	(140 000)	-	-	-	-	0.00	0.00	-	-	-	782 460
Vote 2 - FINANCE DEPARTMENT	1 004 000	19 098	1 023 098	-	(126 997)	896 101	79 572	-	(816 529)	8.88	7.93	-	-	-	41 651
Vote 3 - CORPORATE SERVICES	13 567 500	9 434 080	23 001 580	-	(594 040)	22 407 540	13 110 255	-	(9 297 285)	58.51	96.63	-	-	-	11 349 664
Vote 4 - COMMUNITY SERVICES	39 924 000	8 527 298	48 451 298	-	(14 265 765)	34 185 533	30 981 855	-	(3 203 678)	90.63	77.60	-	-	-	23 315 503
Vote 5 - DEVELOPMENT SERVICES	138 000	(138 000)	-	-	1	1	19 557	-	19 556	1 955 692.00	14.17	-	-	-	107 328
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	1 739 500	(237 454)	1 502 046	-	(312 129)	1 189 917	246 217	-	(943 701)	20.69	14.15	-	-	-	132 598
Vote 7 - ELECTRICAL	26 337 500	19 132 735	45 470 235	-	(4 438 499)	41 031 736	10 702 751	-	(30 328 985)	26.08	40.64	-	-	-	5 750 567
Vote 8 - TECHNICAL SERVICES	325 460 000	69 411 645	394 871 645	-	(6 496 368)	388 375 277	398 508 167	-	10 132 890	102.61	122.44	-	-	-	476 228 967
<b>Total Capital Expenditure - Single-year</b>	408 401 500	106 058 402	514 459 902	-	(26 373 797)	488 086 105	453 648 373	-	(34 437 732)	92.94	111.08	-	-	-	517 708 737
<b>Total Capital Expenditure - Vote</b>	<b>408 401 500</b>	<b>106 058 402</b>	<b>514 459 902</b>	<b>-</b>	<b>(26 373 797)</b>	<b>488 086 105</b>	<b>453 648 373</b>	<b>-</b>	<b>(34 437 732)</b>	<b>92.94</b>	<b>111.08</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>517 708 737</b>
							3 373 874		3 373 874						
<b>CAPITAL EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	231 000	(91 000)	140 000	-	(140 000)	-	-	-	-	0.00	0.00	-	-	-	782 460
Budget and Treasury Office	1 004 000	19 098	1 023 098	-	(126 997)	896 101	79 572	-	(816 529)	8.88	7.93	-	-	-	(5 160 377)
Corporate Services	13 395 000	9 405 580	22 800 580	-	(497 208)	22 303 372	13 306 794	-	(8 996 578)	59.66	99.34	-	-	-	5 202 028
<b>Community and Public Safety:</b>															
Community and Social Services	3 251 000	1 667 000	4 918 000	-	(2 585 113)	2 332 887	943 723	-	(1 389 164)	40.45	29.03	-	-	-	111 385
Sport and Recreation	27 334 000	3 044 298	30 378 298	-	(3 101 609)	27 276 689	26 466 327	-	(810 362)	97.03	96.83	-	-	-	23 307 878
Public Safety	800 000	(202 954)	597 046	-	(307 129)	289 917	246 217	-	(43 701)	84.93	30.78	-	-	-	115 500
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	90 000	(83 500)	6 500	-	2	6 502	26 073	19 571	19 571	401.00	28.97	-	-	-	7 984
Road Transport	52 938 000	(155 738)	52 782 262	-	(19 559 441)	33 222 821	50 520 533	17 297 712	17 297 712	152.07	95.43	-	-	-	62 059 831
Environmental Protection	20 000	(10 000)	10 000	-	-	10 000	-	-	(10 000)	0.00	0.00	-	-	-	-
<b>Trading Services:</b>															
Electricity	31 312 500	19 142 735	50 455 235	-	(4 438 499)	46 016 736	10 299 751	-	(35 716 985)	22.38	32.89	-	-	-	5 723 143
Water	244 056 000	(2 390 388)	241 665 612	-	13 972 431	255 638 043	253 816 664	-	(1 821 379)	99.29	104.00	-	-	-	349 848 482
Waste Water Management	24 305 000	71 953 271	96 258 271	-	(896 191)	95 362 080	91 189 764	-	(4 172 316)						61 940 970
Waste Management	9 599 000	3 826 000	13 425 000	-	(8 694 043)	4 730 957	3 379 082	-	(1 351 875)	71.42	35.20	-	-	-	(63 002 135)
<b>Other:</b>															
Tourism	66 000	(66 000)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	80 664
<b>Total Capital Expenditure - Standard</b>	<b>408 401 500</b>	<b>106 058 402</b>	<b>514 459 902</b>	<b>-</b>	<b>(26 373 797)</b>	<b>488 086 105</b>	<b>450 274 499</b>	<b>17 317 283</b>	<b>(37 811 606)</b>	<b>92.25</b>	<b>110.25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>441 017 812</b>
<b>FUNDED BY:</b>															
National Government	318 486 000	750 169	319 236 169	-	25 210 302	344 446 471	326 359 821	-	(18 086 650)	94.75	102.47	-	-	-	408 445 642
District Municipality	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	974 294
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Transfers Recognised - Capital</b>	<b>318 486 000</b>	<b>750 169</b>	<b>319 236 169</b>	<b>-</b>	<b>25 210 302</b>	<b>344 446 471</b>	<b>326 359 821</b>	<b>-</b>	<b>(18 086 650)</b>	<b>94.75</b>	<b>102.47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409 419 936</b>
Public Contributions & Donations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds	89 915 500	105 308 233	195 223 733	-	(51 584 099)	143 639 634	123 914 678	-	(19 724 956)	86.27	137.81	-	-	-	108 377 629
<b>Total Capital Funding</b>	<b>408 401 500</b>	<b>106 058 402</b>	<b>514 459 902</b>	<b>-</b>	<b>(26 373 797)</b>	<b>488 086 105</b>	<b>450 274 499</b>	<b>-</b>	<b>(37 811 606)</b>	<b>92.25</b>	<b>110.25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>517 797 565</b>

**APPENDIX E(5)**  
**MOGALAKWENA MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17								2015/16
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	361 835 197	75 709 010	437 544 207	437 544 207	346 195 608	(91 348 599)	79.12	95.68	289 595 789
Government - Operating	447 443 699	(195 438 405)	252 005 294	252 005 294	367 277 472				416 414 312
Government - Capital	235 495 151	196 706 574	432 201 725	432 201 725	316 359 821	(115 841 904)	73.20	134.34	409 419 936
Interest	36 024 671	600 000	36 624 671	36 624 671	33 275 230	(3 349 441)	90.85	92.37	38 981 810
<b>Payments</b>									
Suppliers and Employees	(702 199 490)	(135 171 766)	(837 371 256)	(841 891 875)	(898 860 015)	(56 968 140)	0.00	0.00	(643 747 126)
Finance Charges	-	-	-	-	(223 917)	(223 917)	0.00	0.00	(271 023)
Transfers and Grants	(31 289 754)	(1 589 078)	(32 878 832)	(28 358 213)	(31 725 504)	(3 367 291)	0.00	0.00	(27 619 201)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	347 309 474	(59 183 665)	288 125 809	288 125 809	132 298 695	(271 099 292)	45.92	38.09	482 774 496
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	27 100 000	-	27 100 000	27 100 000	11 096 192	(16 003 808)	40.95	40.95	31 981 893
Decrease / (Increase) in Non-current Debtors	-	-	-	-	(1 137 365)	(1 137 365)	0.00	0.00	503 646
<b>Payments</b>									
Capital Assets	(408 401 500)	(106 058 402)	(514 459 902)	(514 459 902)	(450 274 499)	64 185 403	0.00	0.00	(514 354 550)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(381 301 500)	(106 058 402)	(487 359 902)	(487 359 902)	(440 315 673)	47 044 229	0.00	0.00	(481 869 011)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Loans repaid	-	-	-	-	-	-	0.00	0.00	-
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	-	-	-	-	-	-	0.00	0.00	-
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	33 992 026	165 242 067	199 234 093	199 234 093	308 016 978	108 782 885	154.60	906.14	(905 485)
Cash / Cash Equivalents at the Year begin:	656 658 124	-	656 658 124	656 658 124	525 442 644	(131 215 479)	80.02	80.02	524 537 159
Cash / Cash Equivalents at the Year end:	622 666 098	(165 242 067)	457 424 031	457 424 031	217 425 666	(239 998 364)	47.53	34.92	525 442 644



**APPENDIX F**  
**MOGALAKWENA MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	145 048 000	99 618 000	87 029 000	0	82 923 750	82 923 750	82 923 750	82 923 750	0	0	0	0	MIG	Yes	N/A
FMG	Nat Treasury	1 625 000	0	0	0	0	661 508	441 406	522 086	0	0	0	0	N/A	Yes	N/A
MIG Projects	MIG	48 763 000	56 386 000	34 337 000	0	42 840 709	37 246 714	33 282 898	24 762 222	0	0	0	0	Non-spending	Yes	N/A
MWIG	DWAF	9 000 000	15 000 000	6 000 000	0	4 134 484	10 120 459	2 007 397	13 644 805	0	0	0	0	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	45 855 794	38 399 094	44 804 060	27 856 962	38 823 932	53 930 634	22 012 205	39 474 981	0	0	0	0	N/A	Yes	N/A
DME Projects	DME	0	7 470 000	6 530 000	0	319 749	8 680 251	0	0	0	0	0	0	N/A	Yes	N/A
EPWP Incentive Grant	Province	518 000	0	1 555 000	0	0	0	1 138 916	738 644	0	0	0	0	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>250 809 794</b>	<b>216 873 094</b>	<b>180 255 060</b>	<b>27 856 962</b>	<b>169 042 624</b>	<b>193 563 316</b>	<b>141 806 572</b>	<b>162 066 488</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

**APPENDIX G**  
**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2017

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b>												
Matsemela R.A.	-	468 815	-	242 431	70 322	-	-	-	-	-	-	781 568
<b>Speaker</b>												
Mathebula H.S.	-	357 699	-	185 099	69 495	-	-	-	-	-	-	612 293
<b>Executive Committee</b>												
Langa L.D.	-	352 894	-	180 305	52 934	-	-	-	-	-	-	586 133
Lebelo M.R. (Ms)	-	37 049	-	22 220	5 967	-	-	-	-	-	-	65 236
Lelaka M.S.	-	190 899	-	97 244	28 635	-	-	-	-	-	-	316 777
Maepa M.J.	-	190 899	-	93 130	28 635	-	-	-	-	-	-	312 663
Masipa S.R.	-	180 879	-	107 628	42 203	-	-	-	-	-	-	330 710
Mokwele M.F.	-	349 706	-	154 740	52 456	-	-	-	-	-	-	556 902
Molekoa R.M.	-	21 983	-	15 641	3 297	-	-	-	-	-	-	40 921
Montane N.S.	-	39 781	-	22 220	5 967	-	-	-	-	-	-	67 968
Olifant P.L.	-	190 899	-	93 130	28 635	-	-	-	-	-	-	312 663
Senoamadi M.M.	-	349 706	-	162 214	52 456	-	-	-	-	-	-	564 377
Tlhaku M.S.	-	333 552	-	228 436	52 934	-	-	-	-	-	-	614 923
<b>Other Councillors</b>												
Choga R.S.	-	16 723	-	12 985	2 398	-	-	-	-	-	-	32 106
Gwangwa L.P.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Kganyago L.C.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Langa M.O.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Lebelo L.J.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Letlhaka M.A.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Mabula N.S.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Magongoa S.D.	-	16 723	-	13 636	2 398	-	-	-	-	-	-	32 757
Mahlaela R.L.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Manamela L.E.	-	16 723	-	21 062	2 398	-	-	-	-	-	-	40 183
Manganyi M.E.	-	16 723	-	18 923	2 398	-	-	-	-	-	-	38 044
Mathabathe L.J.	-	16 723	-	34 773	2 398	-	-	-	-	-	-	53 894
Miloana M.M.	-	16 723	-	14 848	2 398	-	-	-	-	-	-	33 969
Mokgotho L.B.	-	13 970	-	35 291	7 087	-	-	-	-	-	-	56 348
Mokonyane N.P.	-	16 723	-	23 598	2 398	-	-	-	-	-	-	42 719
Molaba M.S.	-	16 723	-	15 805	2 398	-	-	-	-	-	-	34 926
Molomo L.S.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Monama M.A.	-	19 121	-	12 729	-	-	-	-	-	-	-	31 850
Morkel-Brink G.E.	-	18 386	-	12 729	-	-	-	-	-	-	-	31 115
Motlohoneng D.P.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Mutshinya M.F.	-	15 988	-	12 521	2 398	-	-	-	-	-	-	30 907
Ngwetjana L.N.	-	15 988	-	12 521	2 398	-	-	-	-	-	-	30 907
Phokela M.D.	-	16 723	-	21 503	2 398	-	-	-	-	-	-	40 624
Rathupa M.E.	-	16 723	-	15 713	2 398	-	-	-	-	-	-	34 834
Sebele K.A.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Sekhu M.J.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Sekoala M.A.	-	12 893	-	6 681	1 934	-	-	-	-	-	-	21 509
Senyelo N.M.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Serumula T.A.	-	19 121	-	12 984	-	-	-	-	-	-	-	32 105
Setlatjile K.D.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Sithole S.A.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Somo M.L.	-	16 723	-	21 113	2 398	-	-	-	-	-	-	40 234
Surtee Z.	-	16 723	-	12 984	2 398	-	-	-	-	-	-	32 105
Tsebe M.A.	-	37 201	-	22 220	10 365	-	-	-	-	-	-	69 786

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Baloyi H.T.	-	144 388	-	93 283	21 658	-	-	-	-	-	-	259 329
Coetzee A.	-	154 126	-	77 800	16 091	-	-	-	-	-	-	248 016
Debeila S.A.	-	148 014	-	120 467	22 202	-	-	-	-	-	-	290 683
Dekker K.Q.	-	224 263	-	95 815	-	-	-	-	-	-	-	320 079
Kekana M.E.	-	144 388	-	88 382	21 658	-	-	-	-	-	-	254 428
Kekana M.T.	-	145 933	-	75 397	20 173	-	-	-	-	-	-	241 503
Kekana V.H.	-	329 068	-	159 346	64 476	-	-	-	-	-	-	552 889
Laka L.E.	-	144 388	-	96 019	21 658	-	-	-	-	-	-	262 065
Lamola L.N.	-	145 933	-	75 397	20 114	-	-	-	-	-	-	241 443
Langa M.J.	-	148 014	-	100 673	22 202	-	-	-	-	-	-	270 889
Legodi L.G.	-	148 014	-	107 239	22 202	-	-	-	-	-	-	277 456
Lentoane M.C.	-	148 014	-	96 445	22 202	-	-	-	-	-	-	266 661
Leshiba M.C.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Leso E.N.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Letwaba M.S.	-	148 014	-	111 970	22 202	-	-	-	-	-	-	282 187
Libisi E.J.	-	120 788	-	63 134	17 636	-	-	-	-	-	-	201 557
Madiba M.J.	-	148 014	-	128 222	22 202	-	-	-	-	-	-	298 439
Magongwa B.N.	-	145 933	-	75 397	20 114	-	-	-	-	-	-	241 443
Mahladisa M.E.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Makgeta T.J.	-	134 090	-	70 401	20 114	-	-	-	-	-	-	224 604
Maluleke K.J.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Mampane M.J.	-	145 933	-	100 933	20 114	-	-	-	-	-	-	266 979
Maritz F.M.	-	166 046	-	75 397	-	-	-	-	-	-	-	241 443
Mashala L.J.	-	148 014	-	91 928	22 202	-	-	-	-	-	-	262 145
Mashao M.L.	-	149 955	-	75 397	16 091	-	-	-	-	-	-	241 443
Matlala M.S.	-	144 388	-	135 169	21 658	-	-	-	-	-	-	301 215
Meteleni M.S.	-	144 388	-	141 699	21 658	-	-	-	-	-	-	307 745
Mogale M.T.	-	143 428	-	115 696	22 618	-	-	-	-	-	-	281 741
Molefe L.J.	-	145 933	-	75 397	20 114	-	-	-	-	-	-	241 443
Molekoa R.M.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Moloto M.E.	-	144 388	-	98 184	21 658	-	-	-	-	-	-	264 230
Monama T.E.	-	147 944	-	75 397	18 102	-	-	-	-	-	-	241 443
Monare	-	144 388	-	93 937	21 658	-	-	-	-	-	-	259 983
Monene R.N.	-	148 014	-	77 800	22 202	-	-	-	-	-	-	248 016
Mthilibofu L.W.	-	144 388	-	100 715	21 658	-	-	-	-	-	-	266 761
Nkhuna B.T.	-	144 388	-	87 620	21 658	-	-	-	-	-	-	253 666
Pooe T.T.	-	162 171	-	77 800	8 045	-	-	-	-	-	-	248 016
Puka L.E.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Rapatsa M.M.	-	354 123	-	161 637	53 121	-	-	-	-	-	-	568 881
Ratema M.A.	-	148 014	-	81 239	22 202	-	-	-	-	-	-	251 455
Satege L.K.	-	148 014	-	87 808	22 202	-	-	-	-	-	-	258 025
Seanego T.J.	-	151 967	-	75 397	14 079	-	-	-	-	-	-	241 443
Sebajane R.P.	-	144 388	-	107 783	21 658	-	-	-	-	-	-	273 829
Sebatjane M.P.	-	142 863	-	81 515	37 215	-	-	-	-	-	-	261 594
Seema S.E.	-	161 111	-	93 562	24 056	-	-	-	-	-	-	278 729
Sekhaolelo S.M.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Selemela R.G.	-	144 388	-	167 843	21 658	-	-	-	-	-	-	333 889
Senosha S.C.G.	-	148 092	-	77 800	22 125	-	-	-	-	-	-	248 016
Tefu M.S.	-	148 014	-	91 592	22 202	-	-	-	-	-	-	261 808
Thobane M.S.	-	160 012	-	80 000	6 034	-	-	-	-	-	-	246 046
Tjale M.R.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Tlhako V.K.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
Tselana P.A.	-	144 388	-	75 397	21 658	-	-	-	-	-	-	241 443
<b>Total for Councillors</b>	-	11 892 238	-	7 059 435	1 719 947	-	-	-	-	-	-	20 671 620

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Municipal Manager</b>												
Mthombeni (Acting)	-	14 599	-	-	-	-	-	-	-	-	-	14 599
Nake M.P. (Acting)	-	99 239	12 455	-	-	-	-	-	-	-	13 503	125 197
<b>Chief Financial Officer</b>												
Hurn A. (Acting)	-	21 650	-	-	-	-	-	-	-	-	5 674	27 324
Molenga S. (Acting)	-	-	-	-	-	-	-	-	-	-	58 346	58 346
<b>Manager: Community Services</b>												
Molala M.N.	-	1 170 830	103 503	-	243 516	-	-	-	-	-	130 950	1 648 798
Madisha E.R. (Acting)	-	106 294	-	-	-	-	-	-	-	-	5 053	111 347
<b>Manager: Corporate Services</b>												
Bontsi B.M. (Acting)	-	25 524	-	-	-	-	-	-	-	-	-	25 524
Tsebe M. (Acting)	-	255 927	10 962	-	-	-	-	-	-	-	83 165	350 054
<b>Manager: Developmental Services</b>												
Magale M.S. (Acting)	-	186 367	-	-	-	-	-	-	-	-	31 589	217 957
Ntshani S.P. (Acting)	-	32 069	-	-	-	-	-	-	-	-	-	32 069
<b>Manager: Technical Services</b>												
Malepa K.D. (Acting)	-	203 173	-	-	-	-	-	-	-	-	-	203 173
<b>Manager: Traffic and Emergency Services</b>												
Mthombeni M.M.	-	676 013	61 111	-	-	-	-	-	-	-	80 355	817 478
<b>Total for Senior Managers</b>	-	2 791 686	188 030	-	243 516	-	-	-	-	-	408 635	3 631 867
<b>Total for Management</b>	-	14 683 923	188 030	7 059 435	1 963 463	-	-	-	-	-	408 635	24 303 487

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b>												
Sebatjane M.P.	-	498 275	-	217 633	92 021	-	-	-	-	-	-	807 929
<b>Speaker</b>												
Matsemela R.A.	-	411 297	-	213 450	61 549	-	-	-	-	-	-	686 296
<b>Executive Committee</b>												
Langa L.D.	-	384 976	-	199 242	57 746	-	-	-	-	-	-	641 964
Lebelo M.R. (Ms)	-	352 514	-	168 079	57 794	-	-	-	-	-	-	578 387
Maritz F.M.	-	57 701	-	24 451	-	-	-	-	-	-	-	82 151
Mathebula H.S.	-	197 714	-	152 367	46 937	-	-	-	-	-	-	397 018
Mokwele M.F.	-	212 739	-	152 723	31 911	-	-	-	-	-	-	397 373
Molekoa R.M.	-	212 739	-	107 228	31 911	-	-	-	-	-	-	351 878
Montane N.S.	-	384 976	-	168 442	57 746	-	-	-	-	-	-	611 164
Senoamadi M.M.	-	212 739	-	122 448	31 911	-	-	-	-	-	-	367 098
Tlhaku M.S.	-	363 875	-	248 594	57 746	-	-	-	-	-	-	670 216
<b>Other Councillors</b>												
Baloyi H.T.	-	48 654	-	25 607	7 298	-	-	-	-	-	-	81 559
Choga R.S.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Coetzee A.	-	110 196	-	49 665	-	-	-	-	-	-	-	159 861
Debeila S.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Dekker K.Q.	-	217 917	-	93 522	-	-	-	-	-	-	-	311 439
Gwangwa L.P.	-	154 719	-	96 710	23 208	-	-	-	-	-	-	274 637
Kekana V.H.	-	140 945	-	97 490	36 982	-	-	-	-	-	-	275 417
Kganyago L.C.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Langa M.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Langa M.O.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Lebelo L.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Legodi L.G.	-	154 719	-	97 038	23 208	-	-	-	-	-	-	274 965
Lentoane M.C.	-	154 719	-	86 761	23 208	-	-	-	-	-	-	264 688
Letlhaka M.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Letwaba M.S.	-	154 719	-	101 539	23 208	-	-	-	-	-	-	279 466
Mabula N.S.	-	154 719	-	128 149	23 208	-	-	-	-	-	-	306 076
Madiba M.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Magongoa S.D.	-	154 719	-	81 986	23 208	-	-	-	-	-	-	259 913
Mahlaela R.L.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Manamela L.E.	-	145 954	-	109 520	31 973	-	-	-	-	-	-	287 447
Manganyi M.E.	-	154 719	-	100 880	23 208	-	-	-	-	-	-	278 807
Mashala L.J.	-	154 719	-	97 273	23 208	-	-	-	-	-	-	275 200
Masipa S.R.	-	141 828	-	80 177	36 099	-	-	-	-	-	-	258 104
Mathabathe L.J.	-	154 719	-	129 022	23 208	-	-	-	-	-	-	306 949
Miloana M.M.	-	154 719	-	90 066	23 208	-	-	-	-	-	-	267 993
Mokgotho L.B.	-	129 478	-	88 710	48 449	-	-	-	-	-	-	266 637
Mokonyane N.P.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Molaba M.S.	-	154 719	-	95 273	23 208	-	-	-	-	-	-	273 200
Molomo L.S.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Monama M.A.	-	184 641	-	83 164	-	-	-	-	-	-	-	267 806
Monene R.N.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Morkel-Brink G.E.	-	177 927	-	80 177	-	-	-	-	-	-	-	258 104
Motlohoneng D.P.	-	154 719	-	80 962	23 208	-	-	-	-	-	-	258 889
Mutshinya M.F.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Ngwetjana L.N.	-	154 719	-	99 948	23 208	-	-	-	-	-	-	277 875
Phokela M.D.	-	154 719	-	107 295	23 208	-	-	-	-	-	-	285 222

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
R	R	R	R	R	R	R	R	R	R	R	R	R
Pooe T.T.	-	177 927	-	80 177	-	-	-	-	-	-	-	258 104
Rapatsa M.M.	-	476 197	-	199 916	58 762	-	-	-	-	-	-	734 875
Ratema M.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Rathupa M.E.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Satege L.K.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Sebele K.A.	-	154 719	-	105 286	23 208	-	-	-	-	-	-	283 213
Seema S.E.	-	158 587	-	86 147	19 340	-	-	-	-	-	-	264 074
Sekhu M.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Sekoala M.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Senosha S.C.G.	-	177 927	-	80 177	-	-	-	-	-	-	-	258 104
Senyelo N.M.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Serumula T.A.	-	116 602	-	52 561	-	-	-	-	-	-	-	169 162
Setlatjile K.D.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Somo M.L.	-	154 719	-	125 859	23 208	-	-	-	-	-	-	303 786
Surtee Z.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Tefu M.S.	-	154 719	-	86 844	23 208	-	-	-	-	-	-	264 771
Tsebe M.A.	-	360 449	-	170 906	82 273	-	-	-	-	-	-	613 628
<b>Total for Councillors</b>	-	11 934 099	-	6 547 182	1 730 348	-	-	-	-	-	-	20 211 629
<b>Municipal Manager</b>												
Makondo P. (Acting)	-	118 779	-	-	-	-	-	-	-	-	-	118 779
Mthombeni (Acting)	-	68 104	-	-	-	-	-	-	-	-	-	68 104
Nake M.P. (Acting)	-	45 928	-	-	-	-	-	-	-	-	-	45 928
<b>Chief Financial Officer</b>												
Hurn A. (Acting)	-	22 402	-	-	-	-	-	-	-	-	-	22 402
Joubert W.D. (Acting)	-	71 125	-	-	-	-	-	-	-	-	-	71 125
Mathibe B.L. (Acting)	-	11 841	-	-	-	-	-	-	-	-	-	11 841
Molenga S. (Acting)	-	5 185	-	-	-	-	-	-	-	-	-	5 185
Sekwakwa N.E. (Acting)	-	6 264	-	-	-	-	-	-	-	-	-	6 264
<b>Manager: Community Services</b>												
Molala M.N.	-	867 951	72 269	-	189 700	-	-	-	-	-	121 500	1 251 420
Madisha E.R. (Acting)	-	75 972	-	-	-	-	-	-	-	-	-	75 972
<b>Manager: Corporate Services</b>												
Ngope H.S.M. (Acting)	-	169 865	-	-	-	-	-	-	-	-	-	169 865
<b>Manager: Developmental Services</b>												
Letsoalo M.V.	-	368 404	34 868	-	227 647	-	-	-	-	-	218 277	849 196
Magale M.S. (Acting)	-	149 540	-	-	-	-	-	-	-	-	-	149 540
Seko L.D. (Acting)	-	5 500	-	-	-	-	-	-	-	-	-	5 500
<b>Manager: Technical Services</b>												
Malepa K.D. (Acting)	-	198 792	-	-	-	-	-	-	-	-	-	198 792
<b>Manager: Traffic and Emergency Services</b>												
Mthombeni M.M. (Acting)	-	526 619	-	-	92 951	-	-	-	-	-	57 084	676 653
Sibanda M.A. (Acting)	-	186 686	-	-	-	-	-	-	-	-	-	186 686
<b>Total for Senior Managers</b>	-	2 898 957	107 138	-	510 298	-	-	-	-	-	396 861	3 913 253
<b>Total for Management</b>	-	14 833 056	107 138	6 547 182	2 240 646	-	-	-	-	-	396 861	24 124 883



**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2017	2016		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		26.83%	37.33%	Refer to Page 2 of MFMA Circular No 71	
					Total Operating Expenditure	1 228 120 310	863 345 599		
					Taxation Expense	-	-		
					Total Capital Expenditure	450 274 499	514 354 550		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	
					PPE, Investment Property & Intangible Impairment	-	-		
					PPE at Carrying Value	6 268 489 354	6 165 112 887		
					IP at Carrying Value	35 359 425	35 662 945		
					Intangible Assets at Carrying Value	1 985 093	1 780 828		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		3.41%	1.95%	Refer to Page 4 of MFMA Circular No 71	
					Total Repairs and Maintenance Expenditure	214 811 923	120 857 876		
					PPE at Carrying Value	6 268 489 354	6 165 112 887		
					Investment Property at Carrying Value	35 359 425	35 662 945		
B. Debtors Management									
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		88.99%	74.26%	Refer to Page 5 of MFMA Circular No 71	
					Gross Debtors Closing Balance	571 226 391	529 936 134		
					Gross Debtors Opening Balance	529 936 134	434 905 923		
					Bad Debts Written-off	-	-		
					Billed Revenue	374 931 074	369 184 229		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	0.00%	Refer to Page 5 of MFMA Circular No 71	
					Consumer Debtors Bad Debts Written-off	-	-		
					Consumer Debtors Current Bad Debt Provision	34 990 209	76 409 816		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		136 Days	132 Days	Refer to Page 6 of MFMA Circular No 71	
					Gross Debtors	571 226 391	529 936 134		
					Bad Debts Provision	431 876 200	396 885 992		
					Billed Revenue	374 931 074	369 184 229		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		2 Months	8 Months	Refer to Page 7 of MFMA Circular No 71	
					Cash and Cash Equivalents	217 425 666	525 442 644		
					Unspent Conditional Grants	63 950 319	58 968 316		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	849 344 308	698 589 582		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		1.37	1.96	Refer to Page 7 of MFMA Circular No 71	
					Current Assets	503 143 491	723 494 157		
					Current Liabilities	368 378 302	368 774 644		

**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2017	2016		
<b>C. Liability Management</b>									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	0.00% - - 1 228 120 310 -	0.00% - - 863 345 599 -	Refer to Page 8 of MFMA Circular No 71	
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	Total Debt Total Operating Revenue Operational Conditional Grants	0.00% - 1 111 212 372 361 957 940	0.00% - - 374 349 598	Refer to Page 9 of MFMA Circular No 71	
<b>C. Sustainability</b>									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	Cash and Cash Equivalents Bank Overdraft Short Term Investment Long Term Investment Unspent Grants Net Assets Share Premium Share Capital Revaluation Reserve Fair Value Adjustment Reserve Accumulated Surplus	100.00% 217 425 666 - - - 63 950 319 6 358 535 384 - - - - 6 358 535 384	100.00% 525 442 644 - - - 58 968 316 6 475 443 322 - - - - 6 475 443 322	Refer to Page 9 of MFMA Circular No 71	
<b>2. FINANCIAL PERFORMANCE</b>									
<b>A. Efficiency</b>									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%	Total Operating Revenue Depreciation - Revalued Portion Total Operating Expenditure Taxation Expense	-10.43% 1 112 088 181 - 1 228 120 310 -	28.65% 1 209 561 730 - 862 980 882 -	Refer to Page 10 of MFMA Circular No 71	
2.	Net Surplus / Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure /Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	0% - 15%	Total Electricity Revenue Total Electricity Expenditure	-3.73% 275 866 487 286 145 131	10.40% 227 958 818 204 255 989	Refer to Page 10 of MFMA Circular No 71	
3.	Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Water Revenue Total Water Expenditure	17.68% 274 608 058 226 061 782	53.37% 398 598 218 185 860 798	Refer to Page 11 of MFMA Circular No 71	
4.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Refuse Revenue Total Refuse Expenditure	-151.46% 13 160 970 33 094 536	-91.48% 15 570 453 29 814 720	Refer to Page 12 of MFMA Circular No 71	
5.	Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Sanitation and Waste Water Revenue Total Sanitation and Waste Water Expenditure	22.74% 27 750 262 21 440 770	33.96% 40 087 543 26 474 796	Refer to Page 12 of MFMA Circular No 71	



**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2017	2016		
B. Distribution Losses									
1.	Electricity Distribution Losses (Percentage)	((Number of Electricity Units Purchased and/or Generated - Number of Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%		21.66%	11.97%	Refer to Page 13 of MFMA Circular No 71	
					Number of Units Purchased and/or Generated	203 717 081	206 284 079		
					Number of Units Sold	159 596 485	181 598 030		
2.	Water Distribution Losses (Percentage)	((Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%		42.87%	29.42%	Refer to Page 13 of MFMA Circular No 71	
					Number of Kilolitres Purchased and/or Purified	6 459 192	7 154 106		
					Number of Kilolitres Sold	3 689 820	5 049 115		
C. Revenue Management									
1.	Growth in Number of Active Consumer Accounts	((Period under Review's Number of Active Debtor Accounts - Previous Period's Number of Active Debtor Accounts) / Previous Number of Active Debtor Accounts) x 100	Debtors System	None		-18.70%	-0.07%	Refer to Page 14 of MFMA Circular No 71	
					Number of Active Debtors Accounts (Previous)	27 851	27 870		
					Number of Active Debtors Accounts (Current)	22 644	27 851		
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue ) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI		-10.48%	33.76%	Refer to Page 15 of MFMA Circular No 71	
					CPI	5.10%	4.70%		
					Total Revenue (Previous)	1 241 243 622	927 929 527		
					Total Revenue (Current)	1 111 212 372	1 241 243 622		
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-year Reports and AR	= CPI		-4.49%	15.54%	Refer to Page 15 of MFMA Circular No 71	
					CPI	5.10%	4.70%		
					Total Revenue, excluding Capital Grants (Previous)	831 823 686	719 974 451		
					Total Revenue, excluding Capital Grants (Current)	794 515 023	831 823 686		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		46 Days	58 Days	Refer to Page 16 of MFMA Circular No 71	
					Trade Creditors	128 806 702	151 277 909		
					Contracted Services	60 246 359	28 844 404		
					Repairs and Maintenance	214 811 923	120 857 876		
					General Expenses	95 685 764	90 116 503		
					Bulk Purchases	211 016 811	196 551 593		
Capital Credit Purchases	450 274 499	514 354 550							
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		45.74%	70.53%	Refer to Page 16 of MFMA Circular No 71	
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	561 738 649	608 898 040		
					Total Operating Expenditure	1 228 120 310	863 345 599		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		19.03%	26.98%	Refer to Page 17 of MFMA Circular No 71	
					Employee / Personnel Related Cost	213 836 628	213 228 681		
					Councillors Remuneration	19 928 433	19 703 859		
					Total Operating Expenditure	1 228 120 310	863 345 599		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		4.91%	3.34%	Refer to Page 17 of MFMA Circular No 71	
					Contracted Services	60 246 359	28 844 404		
					Total Operating Expenditure	1 228 120 310	863 345 599		
					Taxation Expense	-	-		

**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2017	2016		
E. Grant Dependency									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		29.71%	20.70%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	133 756 932	106 469 028		
					Borrowings	-	-		
					Total Capital Expenditure	450 274 499	514 354 550		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		29.71%	20.70%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	133 756 932	106 469 028		
					Total Capital Expenditure	450 274 499	514 354 550		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		54.44%	54.79%	Refer to Page 18 of MFMA Circular No 71	
					Total Revenue	1 111 212 372	1 241 243 622		
					Government Grant and Subsidies	678 655 290	783 769 534		
					Public Contributions and Donations	-	1 757 804		
					Capital Grants	316 697 350	409 419 936		
3. BUDGET IMPLEMENTATION									
A. Efficiency									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		92.25%	93.70%	Refer to Page 19 of MFMA Circular No 71	
					Actual Capital Expenditure	450 274 499	514 354 550		
					Budgeted Capital Expenditure	488 086 105	548 922 331		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		119.73%	96.26%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Expenditure	1 228 120 310	863 345 599		
					Budgeted Operating Expenditure	1 025 700 703	896 887 027		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		92.55%	105.67%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Revenue	1 111 212 372	1 241 243 622		
					Budgeted Operating Revenue	1 200 685 978	1 174 588 214		
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		87.60%	96.21%	Refer to Page 21 of MFMA Circular No 71	
					Actual Service Charges and Property Rates Revenue	364 244 438	352 955 240		
					Budgeted Service Charges and Property Rates Revenue	415 821 491	366 871 388		
Interpretation of Results:									
	The green colour indicates that the result is within the norm and is acceptable.								
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.								
	Data should be captured in the blue coloured cell to calculate a ratio.								
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.								